هكذا من الأصل

Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon $L125.00	Switz SFr2.20
Finland Fmk7.00	Lux LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rng4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway NKr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,447 — Tuesday January 26 1988 — D 8523 A

Philips' China card pays off, Page 22

World News

Tokyo plans sanctions against N. Korea

Tokyo's Foreign Ministry said Japan would impose sanctions against North Korea for masterminding the bombing of a South Korean airliner. Japanese Prime Minister Noboru Takeshita said the bombing, which killed 115 people, was unforgiveable.

Meanwhile, North Korea announced tit-for-tat diplomatic sanctions against the US in retaliation for Washington's decision to brand the country a terrorist state after deciding the North was responsible for the airliner bomb.

Attorney-General kidnapped in Colombia

Colombia's Attorney-General Carlos Mauro Hoyos was kidnapped and two of his bodyguards killed, probably by drug traffickers fighting threatened extradition to the US. President Virgilio Barco called an emergency meeting of the National Security Council.

Farmers protest

About 2,000 West German farmers blockaded three crossing points on the Dutch border with tractors, to protest against EC farm spending policy.

Flights cancelled

Belgian air controllers staged two stoppages at Brussels international airport in protest against low manning levels, and 55 flights were delayed or cancelled.

Kampuchea plan

Prime Minister Hun Sen outlined details of his plans for a phased withdrawal of about 100,000 Vietnamese troops from Kampuchea in an interview published in Le Monde.

Bangladesh demo ban

Bangladesh banned rallies and protests after the opposition vowed to meet violence with violence in revenge for the killing of at least 17 people and wounding of 300 by police at a weekend rally in southern Bangladesh.

Sri Lankan guards

The Sri Lankan military was training about 20,000 people to protect MPs against an outlawed political group, the People's Liberation Front, which murdered government supporters. Indian withdrawal talks, Page 4

Greek taxis strike

Taxi drivers throughout Greece started a 48-hour strike in protest against a government anti-pollution measure to halve the number of taxis in central Athens.

State of the Union

President Ronald Reagan was expected to stress to Congress the need for more aid to Nicaraguan Contra rebels in his State of the Union address and also to focus on US-Soviet relations, budget reform, education policy and efforts to combat drug abuse. Aid request, Page 3

Libyan restrictions

Libya had restricted imports from Italy, Britain and France in retaliation for continuing European Community action against Tripoli over its alleged links with terrorism, the Libyan embassy in Rome said.

Ceausescu honoured

The Soviet leadership congratulated Romanian leader Nicolae Ceausescu on his 70th birthday and awarded him the Order of Lenin. Queen 'insulted,' Page 2

Apartheid critic quits

Anthony Bloom, chairman of South Africa's Premier food and milling group and an outspoken critic of apartheid said he was leaving the republic for Britain. Page 4

Red faces in Tokyo

The Tokyo Government was extremely embarrassed about Japan's emergence as South Africa's leading trade partner. Page 4

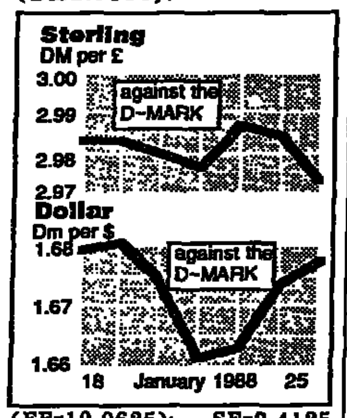
Business Summary

Exxon lifts profits by 50% to over $1.5bn

EXXON, largest US oil company, reported fourth-quarter income up more than 50 per cent at $1.56bn, its best financial performance since the exceptionally strong first quarter of 1986. Page 23

DOLLAR closed in London at DM1.6775 (DM1.6745); FFr5.6550 (FFr5.6450); SFr1.3615 (SFr1.3555); Y127.75 (Y127.80). Page 31

STERLING closed in London at $1.7720 ($1.7965); DM2.9725 (DM2.9850); FFr10.02 (FFr10.0625); SFr2.4125 (SFr2.4175); Y226.25 (Y227.75). Page 31



WALL STREET: The Dow Jones industrial average at 2pm was up 44.27 at 1,947.78. Page 42

LONDON: Equities recovered slightly in quiet trading after losing 13 points during the afternoon. Volume of shares was the lowest recorded since last October, and the FT-SE 100 index closed down 8.7 at 1,762.2. Page 38

TOKYO: Expectations of lower short-term interest rates and higher corporate earnings lifted share prices, and the Nikkei average closed 193.07 higher at 23,318.40. Page 42

EASTMAN KODAK'S shares fell $4⅜ to $44½ in heavy early trading amid concern on Wall Street that the photographic group's takeover of Sterling Drug would reduce profits in the medium term. Page 23; Lex, Page 22

TURKISH Higher Planning Council set targets for 5 per cent growth in the economy and an inflation rate of around 30 per cent in 1988. Page 2

EAST EUROPEAN Comecon members' national income and industrial production growth rates fell last year, according to estimates in the Soviet Communist Party daily Pravda. Page 2

ERICSSON, Swedish telecommunications company, is close to winning a SKr60m ($10m) contract to supply a mobile telephone system to India. Page 4

US is to cut off new aid money and non-emergency food assistance to Zambia, which is $3.8m in arrears on loan repayments. Page 4

OMAN, faced with a 194m rials ($504m) budget deficit in 1988, is to upgrade its state-owned natural gas industry, spending 6m rials ($15.6m) developing three gas production plants this year. Page 4

ALCATEL, telecommunications equipment joint venture between CGE of France and ITT of the US, has agreed a deal worth more than FFr580m ($104m) to modernise Peking's telephone network. Page 4

PREMIER Computer Corporation of the US is to set up a £5.5m ($9.8m) European base in Plymouth, England, employing 180 people within three years. Page 12

ROWNTREE, UK-based international confectionery group, is selling its crisps and savoury snacks businesses in the US and Britain. Page 22; Lex, Page 22

IRISH Government is thought to have decided to privatise state-owned Irish Life Assurance Company, the country's biggest assurance concern with assets of IR£2.5bn-IR£3bn ($4bn-$4.8bn), to reduce the IR£24bn ($38bn) national debt. Page 24

Formula Shell to be withdrawn from main markets

BY MAX WILKINSON, RESOURCES EDITOR

SHELL, the world's leading retailer of petrol, will withdraw the Formula Shell brand from its main markets, because research shows it might cause engine damage in conjunction with lead.

The company announced yesterday that the Formula Shell additive, launched at a cost of $75m two years ago, will no longer be included in leaded petrol in the UK and Holland. It is likely to be withdrawn from most of the other 31 countries where it Shell sells leaded petrol.

Since leaded petrol accounts for more than 91 per cent of European petrol sales, the withdrawal is a serious blow for Shell.

The additive, hailed as a technical breakthrough at its launch in May 1986, was the centre of a major new marketing strategy world-wide.

Shell had hoped to persuade motorists that petrol was no longer a uniform commodity, but a product with special characteristics for each brand, especially Shell's.

Shell UK said yesterday that the group's most recent research showed that Formula Shell in combination with lead additives might "in certain rare circumstances" damage an engine's inlet valves.

Formula Shell will continue to be sold in unleaded petrol, but this is only available at 100 of the company's 3,000 UK petrol stations, where it accounts for less than 1 per cent of the market. Shell has about a fifth of the UK petrol market.

The Formula Shell additive contains a detergent intended to keep parts of the engine cleaner and a sparking agent claimed to give better performance and fuel economy, particularly in cold weather.

Other major oil companies might think that the improvements claimed by Shell were genuine and it seemed for a time that the Anglo-Dutch giant had stolen a march on its competitors.

However, although Shell had conducted exhaustive tests over hundreds of thousands of miles' motoring, several problems soon appeared. It was found to have interfered with the smooth running of some 400 Vauxhall cars by damaging valve seatings.

Although the product was modified in May last year, it has already been withdrawn from Norway and Denmark.

Shell claims that no further problems have been reported since the formula was modified, but has clearly become worried by the possibility of a loss of market share resulting from the tarnished image of its product.

The withdrawal will not affect the US or Japanese markets where stringent anti-pollution measures have resulted in a different petrol marketing strategy. Formula Shell is not sold in the US while, in Japan, lead is no longer added to petrol.

In 1986, the group earned £1.78bn ($3.18bn) from its refining and marketing operations (including gas),

Campeau of Canada bids $4bn for Bloomingdale group

BY DAVID OWEN IN TORONTO AND MAGGIE URRY IN LONDON

MR ROBERT Campeau, the ambitious Canadian property developer, yesterday launched a US$4.2bn tender offer for Federated Department Stores, the largest US department store group whose 18 divisions include Bloomingdale's and Abraham & Strauss.

The bid, at $47 a share, comes little more than a year after Campeau, Mr Campeau's Toronto-based corporate company, swallowed Allied Stores of the US in a bitter US$3.6bn takeover battle.

In a letter to Mr Howard Goldfeder, Federated chairman and chief executive, Mr Campeau said he wanted to enter into a friendly negotiated merger with the Cincinnati-based group. Separately, Campeau said it was in discussions with major banking institutions about the formation of a financing syndicate but no commitments had yet been obtained.

While Federated has long been tipped as a possible takeover candidate, Campeau's overture surprised most analysts both because of the uncertainty of the markets and the relatively short period since the Allied acquisition.

"The question is whether anyone could finance such a bid in this market," said Mr Martin Braun of Richardson Greenshields in Toronto. "Retailing stocks are lying flat on their backs."

Wall Street, however, reacted positively to the news. Federated stock soared $12⅞ to $48⅝ by mid-morning. The chain's break-up value is estimated at as much as $60 a share.

Though observers initially paled at the heady debt load assumed by Campeau in the wake of the Allied sortie, the company's eponymous founder has recently been winning plaudits for the speed with which the burden was dissipated.

No fewer than 16 Allied store chains were put on the block during the sales drive, allowing the company to repay $1.1bn of bank debt.

Financial markets are, however, in very different shape from a year ago. This, it is felt, may restrict Campeau's room for manoeuvre both by limiting its recourse to junk bonds – high-yielding bonds rated below investment grade – and raising doubts about its ability to generate a high price for any Federated divisions it might decide to spin off.

Federated, which had no comment on the offer yesterday, made profits of $301.9m on sales of $10.5bn in 1986. It derives some 66 per cent of turnover from its department stores, with the balance coming from its buoyant supermarket division.

Marks & Spencer, the UK-based retail group which owns three store chains in Canada, was named yesterday by Campeau as a possible third party in its bid for Federated. However, M & S announced last night that it had no intention of bidding for Federated, of participating with Campeau in buying Federated securities or of providing funds specifically for the bid.

The British group said that talks begun with Campeau two weeks ago were at an early stage and were to explore the possibility of co-operation between the two groups in the US.

Pöhl expects US to halt further decline of dollar

BY ANDREW FISHER IN BONN

MR KARL Otto Pöhl, President of West Germany's Bundesbank, held out hopes yesterday that the dollar would now stabilise, citing as one reason a greater awareness in Washington that any further drop would not be in US interests.

In three years, he noted, its value against the D-Mark had practically halved. More importantly, the US Government had realised that an upward trend in interest rates would not be consistent with its aim of avoiding weaker growth or recession in an election year.

"I believe there is a certain chance the dollar rate will stabilise," he declared.

The dollar was yesterday fixed in Frankfurt at DM1.6745, having recovered from levels below DM1.60 at the close of 1987.

Mr Pöhl said the US economy had become more competitive through the drop in the dollar. Inflation fears had also receded.

The effects of the US's increased competitiveness were now apparent, though the process of reducing US deficits would be a long one. The time lags were mostly under-estimated.

In real terms, excluding the effect of currency-induced price changes, US exports rose 30 per cent in the 12 months to last November. With a stable dollar, the nominal figures would also improve.

It was "a perverse situation" that a country as large as the US was the world's biggest importer of capital. Rich industrial countries should run current account surpluses, so that they could export capital to the poorer countries.

Mr Pöhl, expressing support

Continued on Page 22

Goria wins confidence votes

BY JOHN WYLES IN ROME

THE Italian Government, led by Mr Giovanni Goria, last night won two votes of confidence over amendments to its 1988 Finance Bill, but it still faces the possibility of further parliamentary defeats in the coming week in its struggle to secure the bill's passage.

The Government demanded an unusual double vote of confidence after two defeats in the lower house last Friday. The most important, on a Communist amendment, could have added L3,500bn ($2.86bn) to the country's pensions bill over the next three years.

The Government's original proposal to raise pensions by L4,000bn over the next three years was amended last night to lift the total to L4,500bn. This means that last Friday's Communist amendment in favour of providing a monthly pension of L550,000 ($450) will leave little left with which to finance the increase in basic pensions proposed by the Government.

The second vote of confidence carried last night was against a radical party amendment that could have opened the door to a further L7,500bn of public spending.

Last Friday's defeats were facilitated by the secret voting system which allows governing majorities to melt away under the cloak of anonymity. All five coalition parties now favour abolition of the secret vote, but it remains to be seen whether this can be accomplished if the Communist Party maintains its long-standing defence of the system.

It will certainly be available for exploitation in the next few days when several hundred more amendments to the Finance Bill have to be voted. The enormous difficulties which the Goria Government has had in drafting a budget and then securing its passage through parliament have strengthened demands for procedural changes.

However, the parties have not ventured beyond talk of political reform over the past three months. Once the budget is out of the way, the two houses of parliament are due to hold general debates on political reform after which, as sometimes happens in Italy, the conviction might have taken hold among the politicians that, by talking about the problems, they have actually solved them.

In need of a miracle, Page 2

Dole calls for US to be firm on INF treaty

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

SENATOR ROBERT DOLE, the Republican Minority Leader, called yesterday for the US Senate to send "a strong political message" to the Soviet Union that the US would not tolerate violations of the Intermediate Range Nuclear Forces Treaty.

The Senate is holding hearings which will end in a vote on whether or not to approve the INF treaty, signed by President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, in Washington last month. It provides for the elimination of medium and shorter range nuclear missiles from the superpower's arsenals.

Mr Dole underscored his support for the treaty, but said: "The Soviet treaty compliance record is dismal . . the Senate should go on record . . that the United States would view a violation as an extraordinary event justifying our withdrawl from the treaty."

The Senate Foreign Relations Committee hearings on the INF Treaty yesterday morning also featured a lengthy presentation by Mr George Shultz, the Secretary of State. But even before Mr Shultz began, the battle lines were quickly drawn in opening statements by Senator Jesse Helms and Senator Robert Dole.

Senator Helms is one of a hard core of Republican conservatives who, it is believed, may try to wreck the INF accord by proposing so called "killer amendments".

He attacked the agreement on the grounds that verification proposals were inadequate and that, contrary to what Mr Reagan is saying, the treaty does not destroy nuclear warheads only the delivery vehicles.

Charging that the Soviet warheads which have been removed from medium range missiles could be redeployed on different missiles from those being eliminated he said "Old Soviet warheads never die, they are just retargeted at the United States".

Dole: send message

Over the next two months both the Senate Foreign Relations Committee and the Senate Armed Services Committee will hold a string of public hearings on the INF Treaty. These are being planned as an opportunity also to examine the broader strategic and military implications of the changing structure of Nato forces and in particular to examine the prospects for conventional arms control in Europe.

The debates are taking place against the background of a Presidential election campaign in which arms control and defence spending are major issues.

Mr Dole's appearance before the Foreign Relations Committee yesterday reflected the electoral dimension. Although not a member of the committee he had used his influence on Capitol Hill to secure an invitation to make a guest appearance.

Rule of law violated in Gaza and West Bank say lawyers

By Edward Mortimer in Jerusalem

THE RULE of law in Israel's occupied territories is "seriously compromised," according to a statement issued in Jerusalem last night by 10 distinguished international lawyers.

The lawyers, from the US, South Africa and five European countries, had been attending an international conference on the administration of the occupied territories.

Mr Niall MacDermot, General Secretary of the Geneva-based International Commission of Jurists, had earlier denounced Israel's use of beatings to control recent unrest as "utterly illegal."

"By what right does the Minister of Defence tell his officers to inflict punishment on people?" Mr MacDermot asked, referring to the statement made last Tuesday by Mr Yitzhak Rabin that the first priority of the security forces was "to use might, power and beatings," to end the unrest.

"By inciting them to do that," Mr MacDermot said, "he's inciting them to commit an illegal act and in so doing he is committing an illegal act himself."

The army High Command, aware of the damage done by Mr Rabin's statement, has issued instructions to troops to correct what are now being described as "deviations from the norms of conduct."

The lawyers heard a series of accounts of the current repression from Palestinian lawyers based in Gaza and from West Bank Palestinians who said they had been victims of beating and ill-treatment.

All the witnesses were vouched for by al Haq-Law in the Service of Man, an organisation of lawyers based in the West Bank, with a reputation for checking its statements carefully.

I met 11 young men in Ramallah hospital, who had been beaten at the weekend in the Al-Amari refugee camp on the edge of the town. Several had broken limbs or fingers and all had severe bruises, particularly on the knees and elbows.

All insisted that they had taken no part in the demonstration which prompted beatings, stating categorically that Israeli soldiers had broken into their homes and started beating them without provocation.

Mr Adham Abu Taha, a 23-year-old medical technologist, described how soldiers had burst into his home, taken him "with my shoes off," and had hit his 70-year-old mother when she attempted to struggle with them.

"They hit everybody in the house," said Mr Abu Taha.

Continued on Page 22

CONTENTS

INTELLECTUAL BANQUET IN QUEST OF EUROPEAN IDENTITY

Mr Jean Bernard Raimond, French minister, hosted a discussion on what EC states share, Page 21

Genscher warns over UK stand on EC rebate

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Community's nervous anticipation of next month's emergency summit was evident yesterday when Sir Geoffrey Howe, Britain's Foreign Secretary, reaffirmed the UK's strong commitment to agricultural reform and Mr Hans-Dietrich Genscher, the West German Foreign Minister, warned that renegotiation of Britain's budget rebate could prove a major stumbling block to a deal.

Mr Genscher told journalists after a generally low-key meeting of EC foreign ministers in Brussels that he was "certain that the problem of the abatement for the UK will be very difficult and we will have to deal with it until the end of the summit."

Britain has always insisted that any reform of the Community's budgetary system should not lead to a lower level of rebate than that secured by Mrs Margaret Thatcher, UK prime minister, at the famous Fontainbleau summit in 1984.

In the build-up to last month's ultimately unsuccessful meeting of EC heads of government at Copenhagen the issue was largely overshadowed by West German opposition to proposed price cuts for cereal farmers.

But the indications in Brussels last night were that West Germany and other member states may be trying to link the highly sensitive rebate question to Britain's so far resolutely tough stance on farm reform.

Mr Genscher, as president of the EC's Council of Ministers, may this week hold several bilateral meetings in national capitals in preparation for next week's conclave – the special meeting of foreign ministers where the hard pre-summit bargaining on the whole package of financial reforms (including higher resources for the EC and more social and regional spending) is expected to start.

Sir Geoffrey, who appeared anxious to scotch suggestions after the weekend meeting of EC farm ministers that the UK has become increasingly isolated in its market-oriented approach, warned that the EC may be "losing sight" of the need for effective change in agricultural policy.

Yesterday, however, most of the attention was on Sir Geoffrey's plea for a tough approach to farm reform. The UK foreign secretary's comments were particularly scathing about political attempts by some member states to substitute the automatic price cuts envisaged in the proposed system of stabilisers with a set-aside scheme – essentially paying arable farmers to take part of their land out of production.

He said: "The Copenhagen European Council tasked agriculture ministers to work up a scheme for set aside...Agriculture ministers were not, however, mandated to set aside stabilisers. This is why it is no more than a statement of fact that without a satisfactory package on stabilisers there will be no agreement in Brussels next month."

He rejected criticism that Britain's emphasis on price mechanisms represented "a narrow intransigent approach to the problem." He also denied suggestions that Britain failed to understand the internal political constraints facing the French and German governments, notably their strong farm lobbies.

"There isn't a country in the world in which agriculture is not an important component of the scene," he said. "It used to be said that the Church of England was the Tory Party at prayer but today you could say that the NFU (National Farmers' Union) is the Tory Party at prayer."

Italy's government in need of a political miracle

John Wyles on a style of government hanging on a handshake and a smile

Craxi (left) and De Mita (right): the coalition led by Goria (centre) has not been strengthened by their summit

AFTER MR GIOVANNI Goria, the Italian prime minister, recently emerged from a Vatican audience with the Pope, a cartoon appeared in a leading newspaper showing the pontiff placing an apologetic hand on the bearded Goria's shoulder saying: "Believe me, only Bettino Craxi could achieve this miracle."

The Socialist Party leader did try. Within a few days, he hosted a summit which commentators invested with a cosmic significance almost on a par with a Reagan-Gorbachev encounter. Last Tuesday, his ancient enemy and partner in constructing coalitions, Mr Ciriaco De Mita, the secretary of the Christian Democratic Party, made apparently the first visit of his life to the gloomy Socialist headquarters on Via del Corso. There, he passed an hour and a half in conversation with the man who for ten years has plotted and schemed to undermine the Christian Democrats' post-war dominance of Italian politics.

None of the symbolic significance was lost on an Italian media which has relished every sword stroke of the hitherto raw rivalry between the two men. A "truce" had been declared and a "thaw" had set in, the commentators concluded. Perhaps, indeed, a minor miracle had been performed and the nation's shaky government led by Mr Goria might look forward to a few more weeks or even months of life.

Above all, the encounter underlined the uncomfortable truth with which Mr Goria has to live daily. The durability of his government, like that of so many previous Italian governments, depends not so much on the character of its policies nor on the quality of their execution but more on a handshake and a smile between two men who make little obvious contribution to either.

Yet subsequent events have also shown that while Mr Craxi and Mr De Mita can make or break prime ministers, they cannot guarantee a majority for government policies. Mr Goria's coalition has suffered a number of parliamentary defeats but none more damaging than last Friday when perhaps 40 or so Christian Democrats were able to put their secret votes behind the Communists to add L2,500bn ($1.6bn) to spending on pensions.

Already, therefore, the Craxi-De Mita summit is failing to compensate for the absence of a crucial political understanding which has been the hole in the Goria coalition's heart since it was formed last July. The celebrated Craxi years of stable government between 1983 and 1987 were underpinned by a Socialist-Christian Democrat pact that Italy would be ruled by the centre-left five party coalition for the life of one legislature.

This arrangement, patently beneficial for the country and rehabilitating for its institutions, broke down amidst considerable acrimony last March when Mr Craxi appeared to refuse the Christian Democrats a turn at the premiership.

After early elections in June, Mr Craxi knew that he had to support a Christian Democrat prime minister, but held back from any understanding of the kind which had blessed his company of the prime ministerial offices in the Palazzo Chigi.

The Socialist leader effectively blackballed Mr De Mita who would not go to the Chigi without guarantees against early eviction. Instead, Mr De Mita nominated his protégé, the young Mr Goria, aged 44 now going on 54, after 6 extraordinarily trying months in office.

At such an obvious sign that Mr Craxi intended the first post-election government to be a weak one, all of the other leaders of the five coalition parties which have governed since 1980 stayed in their tents.

With the insouciance of generals leading from the rear, they despatched their junior officers to deal with a worsening public sector deficit, a run on the lira, the despatch of warships to the Gulf, a row with the Vatican over the teaching of religion, and damaging public transport strikes – to mention just a few of the trenches in which the government has had to fight.

Having spawned a government in which few people believed and which scarcely believes in itself, the coalition parties have given primacy to the search for short-term tactical advantage. The tiny Liberal party nearly brought down Mr Goria last November in a bid to harness perennial discontent over the tax burden, while Mr De Mita has smiled in the direction of the Communists in an attempt to unsettle Mr Craxi.

This was almost certainly one reason for Mr Craxi calling the Via del Corso summit. Any renewal of the alliance with the Communists of the kind which underpinned the Christian Democrat-only government between 1976 and 1979 would rob him of his powers to control the fate of centre-left governments. In recent weeks, he appeared particularly worried about the two largest parties hijacking his own initiative for political reform and imposing their own bilateral agreements. This would be too dangerous a backcloth to any precipitate collapse of the Goria coalition.

This Mr De Mita is as anxious to avoid as Mr Craxi. His concentration is focused on winning an unprecedented fourth two year term as party secretary at the Christian Democrat Congress at the end of April.

Though his prospects look good, there is more than a suspicion that the internal factions which oppose him want to eject Mr Goria and force Mr De Mita into the premiership before the Congress. They believe that if he is premier before the party vote, then Mr De Mita he could not stand again as secretary. However, if re-elected first, he could remain secretary while also becoming prime minister.

Some of the Christian Democrat "revolutionary guards" who are laying mines in Mr Goria's path may have different motives. Accusing fingers are being pointed at supporters of Mr Giulio Andreotti, the clever, devious foreign minister who has rarely been out of government for the past 30 years. Mr De Mita's rapprochement with Mr Craxi was preceded by an equally publicised healing of a breach with Mr Andreotti whose terms, though secret, may yet be a death sentence for Mr Goria's coalition. Mr Andreotti appears greatly interested in a sixth term as prime minister and if the government were to fall before the Congress, then Mr De Mita is unlikely to stand in his way.

The powerful Andreotti may be able to halt the damage to the Christian Democrat image caused by Mr Goria's stumblings which owe something to the premier's own lack of political instinct and leadership qualities.

If the government finally manages to have the budget passed by early February, it could then just collapse from its own weakness. As Mr Craxi observed with clichéd contempt last week, "God helps those who help themselves."

East German police arrest dissidents

SECURITY POLICE yesterday detained four members of dissident unofficial human rights movements in East Germany for investigation into suspected treason, Reuter reports from East Berlin.

The Foreign Ministry named the four as Mr Wolfgang Templin, Mr Ralf Hirsch, Mr Baerbel Bohley and Ms Freya Klier, saying all were held "for the substantiated suspicion of treasonable contacts."

The first three are activists from the small independent Peace and Human Rights Initiative (IFM) group. Ms Klier is a dissident theatre producer whose husband Mr Stephan Krawczyk, a songwriter, is already in custody facing three possible charges.

Protestant Church sources said another activist was also detained following several house searches in East Berlin.

It said it had been established Mr Krawczyk had links with "secret service-controlled circles in West Berlin" and that the investigation into him had been widened accordingly. It was not clear whether the others held faced treason charges.

Hungary jobless 'may grow 20-fold'

HUNGARY'S unemployment could rise from 10,500 to 200,000 in the next two years and the Government plans to encourage people to start private businesses in response, the official MTI news agency said yesterday, Reuter reports from Budapest.

The report represented another move by Hungary to break down taboos about openly discussing unemployment, which other East bloc countries do not admit exists.

MTI said 10,500 people, or about 0.2 per cent of the 5m workforce, were now without work. This would increase this year to 30,000-40,000, including a large number of long-term unemployed, and by up to 200,000 by 1990.

Hungary used to refer to its unemployed as "job seekers", but it dropped this euphemism last September when a bankruptcy law took effect providing benefit for workers losing their jobs.

MTI said the Government planned to introduce in the second half of 1988 an enterprise scheme under which it would give preferential loans to the jobless.

France again lowers money market rate

BY GEORGE GRAHAM IN PARIS

THE Bank of France yesterday lowered its money market intervention rates for the fourth time in two months.

The French central bank cut both its bill purchase rate, which usually marks the lower end of the money market interest rate range, and its seven-day repurchase rate, which forms the upper marker, by a quarter of a percentage point, taking them to 7.25 per cent and 7.75 per cent respectively.

The money market had already anticipated the reduction, with rates falling to between 7.0625 and 7.25 per cent at the end of last week. The market has been over-liquid for the past week and the Bank of France in fact yesterday reduced its injection of liquidity by buying only FFr52.4bn of the FFr71.3bn bills offered to it by the banks.

With the bond market already strengthening – the yield on government ten-year bonds fell at the end of last week below 10 per cent – dealers believe the Bank of France cut will help long-term rates to continue moving downwards.

The Bank of France said it had decided on the rate cut in the light of the continued good performance of the French franc in the foreign exchange markets and of the favourable development of inflation in France.

Voest-Alpine says evidence points to Iran arms sales

BY JUDY DEMPSEY IN VIENNA

THE general director of Voest-Alpine, the state-owned Austrian steel and engineering group whose subsidiary has been under investigation since September on suspicion of illegally selling arms to Iran, said yesterday the latest evidence makes it seem more likely that the allegations were well-founded.

Mr Herbert Lewinsky said in a radio interview yesterday that the company's own internal investigation into the trading activities of Noricum, the group's weapons division, had "hardened the suspicion that there were direct Noricum weapons deals with Iran".

Mr Lewinsky said that during the internal investigations a weapons contract delivery had been found but he did not say who signed the bond or who was responsible for the transaction.

Last September the Austrian authorities opened an official investigation into Noricum's trading activities after the Austrian media alleged that the company had sold cannons and munitions to Iran in 1985 contrary to Austrian law which forbids the export of weapons to countries at war. The deal was worth $300m.

Mr Peter Unterweger, the former head of Noricum, was detained and has remained in detention for his alleged involvement in the deal. But so far no charges have been made against him.

Voest-Alpine said recently that the company "never knowingly sold arms to Iran."

Ozal less ambitious on inflation

BY Jim Bodgener in Ankara

THE new Turkish government of Mr Turgut Ozal, the Prime Minister, will seek lower growth and less ambitious inflation goals in 1988, according to a macro-economic policy package put together by the recently created Higher Planning Council.

The plan, which has to be submitted for parliamentary approval, is the most detailed list of economic targets yet made in Mr Ozal's second administration which follows the general election on November 29.

The package means the Government has chosen to rein in growth and seek tighter budgetary austerity, rather than attempt to sustain the high growth rates of recent years at the expense of budgetary and balance of payments problems.

The Council chose the lower of two scenarios drawn up by the State Planning Organisation envisaging 5 or 5.5 per cent growth. A similarly conservative target of 5 per cent was set for 1987, but the economy in fact expanded by about 6.8 per cent, viewed in some quarters as overheating.

Chastened by the failure to bring inflation down anywhere near the 20 per cent target set for 1987, the planners have opted for around 30 per cent in 1988. The consolidated budget will probably be set at around TL19 trillion ($17.2bn).

Exports will continue to grow, to around $12bn in 1988, according to the package. Imports will amount to about $15bn. Foreign debt servicing will total $6.3bn in 1988 against fresh external borrowing of $6bn. Of the total repayments, $3bn will be principal. Unofficial estimates say that total outstanding foreign debt increased by 10 per cent in 1987 to $35bn.

The Council was created early in January to streamline economic policymaking.

The core Council membership includes Mr Kaya Erdem, the Deputy Prime Minister, and three other ministers who deal with the economy, Mr Yusuf Bozkurt Ozal, Mr Adnan Kahveci, and Mr Ahmet Kurtcebe Alptemocin.

East Europe shows slower growth in national income

NATIONAL income and industrial production growth rates among East European Comecon members fell last year, according to estimates published yesterday in Pravda, the Soviet Communist Party daily, Reuter reports from Moscow.

Pravda, highlighting Soviet demands for economic reform within the trading bloc, said preliminary figures showed national income grew 3 per cent in 1987, while industrial production went up by 3.7 per cent. The 1986 figures were 4.2 per cent and 4.7 per cent respectively.

Taking each country individually, the figures showed East German national income and industrial production up by 4 and 3.7 per cent respectively, against 4.3 and 4.0 per cent in 1986.

In Bulgaria, national income rose by 5.1 per cent over the previous year, Pravda said. It did not give a figure for 1986 or any figures for industrial growth.

National income in Hungary rose by between 1.5 and 2 per cent, Pravda said, but added that "the speeding up of the re-organisation of the industrial structure and the improvement of the economic balance was unsatisfactory. Hungarian agriculture had been hit hard by frost and drought, with the result that production was down on the previous year.

In Czechoslovakia, Pravda said "new frontiers were reached" in national income and industrial production, over the 1986 figure of 3.2 per cent in both sectors. "But the decisive breakthrough in transferring the economy on to the lines of intensification was not achieved," it added.

Overall production in Romania grew by 10 per cent in the last two years, with agricultural production showing a rise of 20 per cent. Polish industrial production grew by a little over 3 per cent.

Swedish strikers face threat of lock-out

BY SARA WEBB, STOCKHOLM CORRESPONDENT

A WEEK-LONG strike by white-collar technical and clerical employees in Sweden, which has hit several of the country's leading export companies, worsened yesterday when the employers' organisation announced it would stage a lock-out next Monday.

The decision by VF, which represents employers in industry and engineering, comes after the break-down in talks between the two sides over the weekend, and means that the Government may be forced to appoint a mediating committee.

The Swedish Union of Clerical and Technical Employees in Industry (SIF) called 43,000 of its members out on strike a week ago. VF said yesterday that it would lock out the remaining 50,000 members of the union as it could not accept the demands put on the table by union representatives.

SIF's latest demands for wage increases of 5.6 per cent with compensation for inflation would mean increases in wage costs in industry of about 7 per cent, according to VF.

The employers originally offered an increase of 0.9 per cent with compensation for inflation. SIF's position has weakened considerably following the agreement by the Civil Engineers' Union on Friday to accept an increase of 1.9 per cent.

Belgian plea over deadlock

MR JEAN-LUC Dehaene, the mediator appointed to solve Belgium's political deadlock, said yesterday he would need time to restore confidence, AP reports.

Mr Dehaene, whose Flemish Christian Democratic Party suffered losses in December's elections, said negotiations would be difficult. Without clear agreement, no stable government could be formed.

Mr Dehaene's party was beaten in the elections and thus prevented from renewing the centre-right alliance it led with conservatives.

Its French-speaking Christian Democratic counterpart and the Flemish and French-speaking Socialists are pressing to form a centre-left coalition.

Sweden calls off inquiry into Bofors bribes claim

BY SARA WEBB IN STOCKHOLM

AN INVESTIGATION in Sweden into whether Bofors, the Swedish weapons group, had paid bribes of SKr319m ($29.8m) to secure its SKr8.4bn Howitzer contract from the Indian government has been called off because of insufficient evidence.

The announcement comes two days after the departure of Mr Rajiv Gandhi, the Indian Prime Minister, from Stockholm where he took part in the six-nation initiative meeting last week. Mr Gandhi adamantly refused to answer any questions from the press related to the Bofors affair during his visit.

Mr Lars Ringberg, the prosecutor investigating the Bofors case, said that he had been unable to obtain information from the Swiss banking authorities concerning three secret bank accounts in Switzerland and in particular who stood to benefit from the payments.

Bofors claims that it paid the SKr319m to consultancy companies but denies these amounted to bribes.

Swiss banking secrecy had made it impossible to discover the identities of the ultimate beneficiaries.

Swiss banking authorities rejected requests from Swedish police to reveal details of the account holders.

Czech Prime Minister may be forced to quit

BY LESLIE COLITT IN PRAGUE

CZECHOSLOVAKIA'S reform-minded Prime Minister, Mr Lubomir Strougal, may soon be eased out of office by the new party leader, Mr Milos Jakes, because of personal and political differences.

Mr Strougal stunned the party last week when, in an interview with West German journalists, he criticised every Czechoslovak leader since the early 1960s for failing to carry out economic reforms.

The Prime Minister's outburst to the Western media reflected his virtual relegation to the status of a non-person within the party leadership. In December, the party under Mr Jakes quickly took over formulation of new economic reforms.

Mr Strougal could lose his position as early as next March at an expected plenary session of the central committee. In the interview, he said it was "illogical" that he had merely been head of government for 18 years.

Mr Strougal used to be considered a likely successor to Mr Gustav Husak, who stepped down as party leader in December while remaining Czechoslovak president. Mr Husak's doubt as he is believed to have favoured Mr Lenart as his successor.

The Prime Minister is to play host to Mr Helmut Kohl, the West German Chancellor, who arrives in Prague today. It could be one of his last official functions.

Contenders for Mr Strougal's post are Mr Ladislav Adamec, the Prime Minister of the Czech Republic, and Mr Josef Lenart, of the Slovak party. The Federal Constitution stipulates that if the President is a Slovak, as Mr Husak is, then the Prime Minister must be a Czech.

Waldheim set to meet war commission

By Judy Dempsey in Vienna

THE historians' commission which was set up and financed by the Austrian Government to investigate the wartime activities of Mr Kurt Waldheim, the Austrian President, meets today in Vienna for its final session.

The six-man commission includes Mr Hans Rudolf Kurz, the Swiss military expert, and Mr Manfred Messerschmidt, the West German military historian.

It has been meeting for the past six months to investigate allegations that Mr Waldheim knew about or was involved in the deportation of Jews from Salonika to the concentration camps as well as the murder of Yugoslav partisans during the Second World War.

Mr Waldheim, who has consistently denied the allegations, is due to meet the commission later this week.

It is still not certain when the commission will release its final report but sources say it will be sometime in early to mid-February.

Mr Waldheim has said he would not regard the commission's findings as binding.

Solidarity protests at union pressure

BY CHRISTOPHER BOBINSKI IN WARSAW

SOLIDARITY activists in the Polish town of Jaslo have protested against pressure being put on workers at a furniture factory involved in a joint venture with the UK to join an official trade union or risk losing their jobs.

At the beginning of this year 55 employees at the plant wrote to the local prosecutor charging that unlawful pressure was being brought to boost union membership. The plant is one of the Polish participants in Furnel International Corporation, a joint venture being organised with ICL in which the British computer company holds a 35 per cent share.

Furnel will assemble and market Western computers which will be paid for by exports of Polish furniture. Furnel, which will employ 4,500 at six plants in Poland, is one of the largest joint ventures to be set up under legislation passed in 1986. It is the first time an enterprise with Western involvement has been the target of a Solidarity protest.

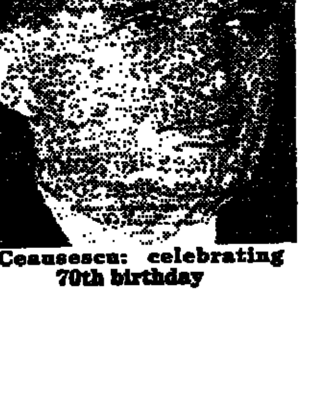
One of Furnel's first moves has been to cut back excess labour at Polish participants and this month 25 workers at Jaslo, which employs 560, have been told they will not be joining Furnel.

Solidarity agree that redundancies are necessary but is protesting against management pressure to join the new union. According to the workers, over the past six months the manager at Jaslo, Mr Wieslaw Nawrot, boosted membership of the official union from 55 per cent to almost 100 per cent of his workforce by telling employees that their chances of getting jobs with the venture would improve if they joined the official union.

Ironically, almost all those given their notice were new union members apart from two, one of whom was Mr Bronislaw Vladysz, 36, who has worked at the plant for 10 years.

False Ceausescu letter 'insults Queen'

BY JUDY DEMPSEY IN VIENNA



Ceausescu: celebrating 70th birthday

THE British Foreign Office is seeking an explanation from the Romanian ambassador as to why a falsely written letter of congratulation, allegedly sent from Buckingham Palace, was published in Lumea, a Romanian foreign policy weekly.

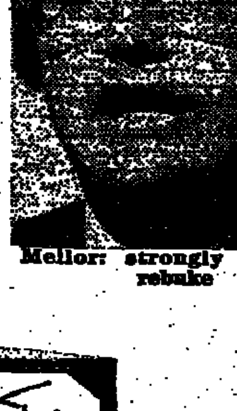
The weekly, which tends to focus on the activities and personality of Mr Nicolae Ceausescu, the Romanian president and party leader, who celebrates his 70th birthday today, published what it reported to be a letter of congratulation from Queen Elizabeth to the president.

Mr David Mellor, Foreign Office Minister of State, told Mr Stan Soare, the Romanian ambassador in London, that "the letter was false and an insult to Her Majesty. Her Majesty has sent no birthday messages to President Ceausescu. It is not her practice to send birthday messages to other heads of state."

The false, fulsomely-worded letter contained the message: "We in Great Britain are impressed with the determination with which you affirm your independence You personally, Mr President are a statesman of world stature with widely recognised excellence."

Although Mr Ceausescu was received by the Queen when he visited Britain in 1978 and stayed in Buckingham Palace and although Mrs Elena Ceausescu received an honorary fellowship from the Royal Institute of Chemistry and was made an honorary professor at the Polytechnic of Central London, relations between the countries have become more reserved. This is partly because of Romania's poor human rights record.

Mr Ceausescu, in power since 1965, celebrates his birthday against a background of growing but disorganised unrest.



Mellor: strongly worded rebuke

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Reagan likely to trim Contra aid request

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan is expected to scale down sharply his request to Congress this week for more aid to the Nicaraguan Contra rebels.

Faced with a possible defeat next month if he presses for lethal aid, Mr Reagan, who has made Contra aid a benchmark of his presidency, is likely to put forward a compromise package worth about $50m, comprising mainly non-lethal assistance.

The Democrats – who hold majorities in the House and Senate – have increased pressure for a compromise by arguing that more lethal aid for the Contras would jeopardise the delicate Central American peace negotiations.

However, both the White House and Congress are anxious to ensure that the Sandinista government in Nicaragua keeps its promise to democratise in a way acceptable to Washington and to comply with the regional peace plan drawn up by President Oscar Arias of Costa Rica.

One option apparently gaining favour is for a small amount of lethal aid to be put in an escrow account pending an assessment of the peace negotiations. Under the plan, the lethal aid could be unfrozen if the Sandinistas failed to fulfil their promises.

At the weekend, President Daniel Ortega of Nicaragua sent a five-page letter to President Reagan promising to give up power if national elections show "that is what the people wish." The letter was also sent to the Washington Post and New York Times, and embargoed for publication until yesterday.

Mr Reagan rejected Mr Ortega's renewed call in the letter for direct US-Nicaraguan talks. US officials described it as aimed more at influencing the key Congressional votes on Contra aid set for February 3 and 4.

The Contras are set to begin their first direct talks with representatives of the Sandinista government in Costa Rica this week. Cardinal Miguel Obando y Bravo of Managua, a critic of the Sandinistas, is expected to act as a mediator in the talks which will cover arrangements for a ceasefire inside Nicaragua.

At the weekend, the Sandinistas reported that they had shot down a Contra supply aircraft inside Nicaragua, a sign that the civil war is continuing despite the planned peace talks.

Ortega seeks Spanish support

By Tom Burns in Madrid

NICARAGUAN President Daniel Ortega is to arrive here today to enlist European support and sympathy by way of Spanish Prime Minister Felipe Gonzalez in his bid to avert further US aid to the Contra rebels.

Mr Ortega's mission underlines the bridging role that the Spanish premier plays between Latin America and Europe.

The visit of Mr Ortega, described as an official working visit, was hurriedly arranged at Nicaragua's request last week as President Ronald Reagan announced his decision to seek a new humanitarian aid package for the Contras.

Mr Gonzalez has been offsetting his criticisms of US policy in the area with advice to President Ortega that he should soften the totalitarian aspects of the Sandinista revolution.

The president is likely to ask Mr Gonzalez to appoint Spanish observers to serve on committees verifying the implementation of the Esquipulas Two accords on a regional ceasefire and a withdrawal of foreign troops and advisers.

Lionel Barber reports on Senator Simon, the candidate from Illinois

The plain-tailored Democrat

SENATOR PAUL Simon of Illinois wears a bow-tie, two hearing aids and has a natural face for radio.

At 59, he may be the oldest Democrat presidential candidate but he is also possibly the shrewdest. Making a virtue of necessity, he has literally tailored his image to his principal campaign theme: authenticity, consistency, the what-you-see-is-what-you-get Democrat.

In a volatile Democrat race where issues of character issue dominated the early stages – Senator Joe Biden's plagiarising and former Senator Gary Hart's adultery – Senator Simon's steady message helped set him apart from the rest of the field.

Paul Simon: Radio face

His early rise in the polls undermined what six months ago appeared to be party gospel: that the Democrats needed to turn, just as they did in 1960 with Mr John F. Kennedy, to a generational candidate to succeed an ageing two-term incumbent President.

"I am not a neo anything," says Senator Simon, a Lutheran minister's son turned newspaper owner-editor whose campaign has been built on what he calls the traditional Democrat heritage: jobs, health, education, civil rights and the championing of the dispossessed.

Lately, however, the lead which Senator Simon enjoyed in Iowa, where local caucuses kick off the Democrat race in two weeks time, has eroded. His rivals, seeking to dent the candidate's "Simon-pure" image, have found their target in the shape of a campaign pledge to balance the Federal budget in three years without raising taxes.

"Reaganomics with a bow-tie," said Congressman Richard Gephardt of Missouri. Senator Simon promptly listed five kinds of Federal taxes he would impose "as a last resort" to balance the budget: an oil import fee, a wealth tax (on individuals earning more than $100,000 a year), a cigarette tax, and an income tax on foreign citizens and corporations resident in the US.

The incident spotlights the difficulties facing the Democrats in confronting the Reagan tax-cutting legacy. Every candidate intones about the fiscal irresponsibility of the past seven years, but no candidate (save the long-shot former governor of Arizona Mr Bruce Babbitt and the fading former Senator Gary Hart) proposes raising taxes to cut the Federal budget deficit, expected to be around $150bn in 1988.

Senator Simon, like most of his Democrat rivals, has his laundry list of spending plans which begin with a New Deal-style public works programme aimed at cutting the national unemployment rate which is currently 5.8 per cent, the lowest level for nearly 10 years. "We can do better," says Senator Simon who costs his programme at a conservative $13bn in two years reaching 3m people.

President Simon would fund these and other works by cutting Pentagon spending by $20bn in real terms, persuading NATO allies to share more of the defence burden (a refrain heard from all the Democrat candidates), and engineering a two-per-cent drop in interest rates over three years. For those who express disbelief in the accounting, one of Senator Simon's campaign ads in Iowa provides a ready answer: "Isn't it time to believe again?"

Senator Simon calls himself a Truman Democrat, after President Harry Truman of Missouri. But the two do not evoke much in common other than their Mid-West roots. On foreign policy, Senator Simon opposes aid to the Nicaraguan contra rebels and other anti Marxist insurgents helped by the Reagan administration and he favours further arms control pacts with the Soviet Union. The Simon Doctrine suggests that the US is overstretched in its global commitments – the very reverse of the Truman Doctrine after World War II.

Unlike some of his more youthful rivals, Senator Simon can point however to a long political track record stretching back 34 years when he first ran as an anti-Mob Democrat in Illinois. His pre-occupation with social issues has been an enduring theme in local and national politics, where as a one-term Senator, he sits on four high-profile committees (Budget, Foreign Relations, Labour and Human Resources and Judiciary).

Yet there is a tough, practical side to Senator Simon. In 1972, despite his early anti-machine credentials, he ran as Mayor Richard Daley of Chicago's anointed candidate for the governorship of Illinois. While he was soundly beaten, he recovered to take a Congressional seat in 1974. Ten years later, as the acknowledged underdog, he beat a strong Republican incumbent, Senator Charles Percy.

Senator Simon's supporters in Iowa also concede that their candidate is being squeezed by Mr Babbitt and Governor Dukakis of Massachusetts who both attract intellectual liberal urban vote. Having risen so fast so soon, Senator Simon may need a first or second place finish in Iowa to match expectations. If he fails, the candidate from Main Street could find himself written out of the race.

Bahamian bank fees raised

BY APHENA DAMIANOS IN NASSAU

A STEEP increase in bank and trust company fees has shaken the Bahamian banking community. The increases – some threefold – were implemented without consultation with the bankers as to the impact they may have on the industry.

The increases – and Prime Minister Sir Lynden Pindling's big-stick approach to the banks – have created an atmosphere of uncertainty. Lawyers fear that this, coupled with continuing work permit problems, might trigger a flight to the Cayman Islands, where fees are now much lower and difficulties fewer.

"This might be the catalyst but for some time there has been growing disaffection. The lack of security of tenure and the way the Government uses its power is a problem – they use work permits as an axe over people's heads," said one experienced lawyer.

The fee for banks that provide offshore financial services has increased from $10,000 to $25,000. This will apply to the vast majority of the approximately 377 banks and trust companies operating in the Bahamas.

The fee for the authorised dealers has gone up from $50,000 to $100,000. Authorised agents will now pay $60,000 instead of $30,000.

Last Wednesday, Sir Lynden told the Bankers' Club that they had not done enough to help the Bahamian economy. He said he expected more participation from them. He then presented a shopping list of his needs, after shelving his speech on bank secrecy, which bankers had expected him to deliver.

"We need a theatre for the performing arts," he said bluntly. "We need a museum in which to store and display our national archives and treasures. Both of these would be a noble and unselfish gesture of good will, support and partnership."

Argentine judiciaries at odds over rebels

BY ROBERT GRAHAM IN BUENOS AIRES

THE GOVERNMENT of President Raúl Alfonsín is seeking to head off a damaging conflict between civilian and military justice in Argentina over the investigation and trial of officers and NCOs involved in last week's abortive military rebellion.

On several occasions in the past few days, senior officials have made known that the rebellion should be dealt with by military justice. However, at least one magistrate has begun his own separate case and another has refused to let a group of officers, from an anti-aircraft unit which rebelled at San Luis in western Argentina, be transferred from his jurisdiction to a military investigator.

Also, it is unclear how civilians involved in the rebellion will be treated. Six civilians took part in the temporary takeover of the control tower of the Buenos Aires domestic airport on January 18.

The Government believes that the various acts of rebellion, headed by ex-colonel Aldo Rico, come well within the code of military justice. So far 328 officers and NCOs (out of 5,000 officers and 1,560 NCOs in the army) have been detained. Two more are still fugitive.

THE NEW PRESIDENT OF HAITI

A man of the right emerges from exile

BY CANUTE JAMES

WHEN Mr Leslie Manigat was in exile in Venezuela between 1978 and 1985, he formed and led a shadow government of Haiti. Now the 57-year-old university lecturer, winner of Haiti's controversial presidential election, is to get a chance to be more substance than shadow.

Among those who have known him, and have worked with him in the political and academic worlds inside and outside Haiti, there are not many who have a moderate opinion of the new Haitian president. Reactions to him tend to be extreme, never grey.

Leslie Manigat: Controversial

Mr Fritz Longchamps of the Washington Office on Haiti, a private monitoring group, says the new president will turn out to be a right-wing extremist.

"Mr Manigat comes from a family that has a tradition of connections with right-wing black nationalists. That explains very much how, in 1957, he was one of the leading intellectuals in the Duvalier machine," suggests Mr Longchamps.

"It was because of his political ambitions that he got kicked out of the country by François Duvalier. He has toned down his anti-mulatto rhetoric but he has picked up on anti-communism, and will use this against his opponents."

A main source of tension within Haiti is the division between lighter-skinned (mulatto) people, in the minority, and the black majority.

But Dr Herbert Addo, a senior research fellow at the Institute of International Relations of the University of the West Indies, has a different view of the man, who was director of the institute for several years. Dr Addo says Mr Manigat will make a good president.

"I think that, for many years to come, he will probably be the most appropriate individual. I am convinced that he will not indulge in any of the excesses of the Duvaliers, and will lead the transition from the Duvaliers to a fully articulated democratic society," Mr Addo says.

Mr Manigat is a graduate of the Sorbonne in Paris, where he studied international relations. He served as director of Political Affairs in the Haitian Foreign Ministry under the administration of President François Duvalier.

In the 23 years between being exiled by Duvalier, and his return to campaign for the Haitian presidency, Mr Manigat lived in exile in Paris, Trinidad and Venezuela.

The first indications of Mr Manigat's likely candidacy in the military-run elections came when he remained silent after the November 29 vote had been aborted by armed gangs and soldiers who killed more than 30 voters. While the other candidates quickly said they would not stand in the January 17 elections, Mr Manigat's said after the carnage that he would.

His presidency – conceived in controversy, scepticism and tension – will be made more difficult unless he changes what some of his former political and academic associates consider an underlying, potentially destructive trait – his tendency to take advice only from himself, and to run a one-man show.

The new president also faces a period of increasing doubt at home and abroad about the basis of his electoral success. It is widely believed that he has made a deal with the army, in which Mr Manigat has undertaken not to harass the military and militiamen who have served the Duvaliers and who have run the country for the past two years.

Top dissident businessman to leave S Africa

BY ANTHONY ROBINSON IN JOHANNESBURG

MR ANTHONY BLOOM, chairman of South Africa's Premier food and milling group and an outspoken critic of government policies yesterday announced his decision to leave South Africa and move to England "for business,personal and family reasons".

Two years ago, Mr Bloom was among a handful of senior businessmen who defied the government by flying to Zambia for talks with leaders of the banned African National Congress.

He remains an outspoken critic of apartheid and of what he sees as the increasingly authoritarian and heavy handed government of President P W Botha. But, in an interview, he insisted that his decision had not been politically motivated but had been sparked off by a helicopter accident last year in which his 24-year-old stepdaughter had been semi-paralysed and sent to Stoke Mandeville hospital in England for treatment.

Despite his disavowal of any political motivation Mr Bloom made no secret of his dismay at the poor showing of the "liberal" Progressive Federal Party and strong right-wing gains at last year's whites-only general election. His departure will further weaken the PFP.

The loss of such a senior executive, close on the heels of Mr Gordon Waddell, the former chairman of Johannesburg Consolidated Investments, also highlights the steady exodus of younger executives who decide to leave for political and tax reasons abetted by reluctance to see their children conscripted for military service.

Meanwhile, a strong recovery in consumer demand in recent months has led to "exceptionally good" trading conditions for the group of companies after a first-half when pre-tax profits rose 66 per cent to R88.6m ($15.75m) on a 19 per cent higher turnover of R1.52bn.

The 49-year-old Harvard educated heir to the former family milling business will be succeeded as chief executive by Mr Peter Wrightson, the deputy chairman. Mr Bloom said he would remain on the board of Premier, whose leading shareholder is the Anglo American Corporation, after relinquishing the chairmanship within the next few months.

He intends to open an office in London to look after Premier's international and financial affairs and pursue private business interests. He also expects to remain on the boards of several other South African companies and return at least four to five times a year to South Africa where he will retain two homes.

Observer, Page 18.

Transkei coup highlights growing role of military

by Anthony Robinson, recently in Umtata

THE NEW year military coup in the South African homeland of the Transkei, only two years after that which brought military rule to the landlocked kingdom of Lesotho, has underlined the growing militarisation of southern Africa. It is a process which began with the rising power and influence of the military within South Africa itself under President P W Botha.

At the heart of the matter is the increased use of military means to ensure the security of white-controlled South Africa. The aim is to ensure that neither neighbouring independent countries – like Lesotho, Swaziland and Botswana – nor the 10 black "homelands" can be used as bases or transit points for African National Congress (ANC) guerrillas or political cadres.

The coup in Lesotho brought General Justin Lekhanya to power after a road and rail blockade by Pretoria in January 1986. It was followed immediately by the expulsion of ANC refugees and supporters from the country and a rapid move to "normalise" relations with South Africa on which Lesotho is dependent for its trade, electricity and the earnings of over 100,000 Basuto gold miners.

The security connection is less obvious in the latest coup in the Transkei which is not an internationally recognised sovereign state but a South African "independent" homeland. The ostensible reason for the coup was to stamp out rampant corruption which reached the highest levels of government. But the Transkei, together with its neighbour Ciskei is home to nearly 5m Xhosa-speaking people.

As such it is a region on which Pretoria keeps a close eye, and in recent years it has seen much to displease it. Last February Transkei, led by Mr George Matanzima, then the prime minister, and the Ciskei led by President Lennox Sebe, nearly went to war. Transkeian soldiers, led by white former members of the Rhodesian Selous scouts who trained the 3,000 strong Transkei Defence Force (TDF), mounted an unsuccessful attack on President Sebe's palace.

The abortive raid and threats by Mr Matanzima to integrate Ciskei into a greater Transkei by force, alarmed Pretoria which despatched General Johan Coetzee, the former South African Commissioner of Police to head a tri-partite security commission.

In the meantime Pretoria was growing increasingly concerned at reports of corruption, graft and misuse of the billions of rand which Pretoria transfers to the homelands every year. With Pretoria's help the Transkei last year set up a series of judicial enquiries to investigate allegations of corruption reaching right to the top of the Transkei government. It has also set up a new joint accounting system to monitor more closely homeland spending.

The ANC and other radical critics of Pretoria's homeland policy see corruption and oppression in the homelands as a consequence of the methods used by Pretoria to select black leaders. Only corrupt men or stooges would have been willing in the first place, they argue, to accept a form of independence which deprived millions of blacks of their South African citizenship.

In the Transkei's case Pretoria rode roughshod over the established tribal hierarchy to promote Chief Kaiser Matanzima and exiled or otherwise silenced opponents like the late Paramount Chief Sabata who was suspected of ANC sympathies.

Since independence Transkei, like other homelands, has seen the development of a black bourgeoisie closely linked to the governmental gravy train and impressive industrial growth, thanks to a plethora of tax breaks, a ban on trade unions coupled with a 95 per cent wage subsidy and generous investment and transport subsidies.

Over 120 foreign-owned plants have been built in the various development areas. The Transkei Development Corporation (TDC), whose work in the past was also debased by "instructions" from above, is now braced for an expected influx of new investors from Hong Kong and Sri Lanka seeking a safe, low cost alternative venue.

Despite progress for some the degree of corruption at the top sapped the entire administration and contributed to a groundswell of opposition, according to General Bantu Holomisa, the 32-year-old leader of the Transkei Defence Force who now heads the five-man military council. Transkei, he says, was on the verge of civil war when the army intervened first to topple Mr George Matanzima, the prime minister and the former president's brother and rival in September and then his successor Ms Stella Sigcau three months later.

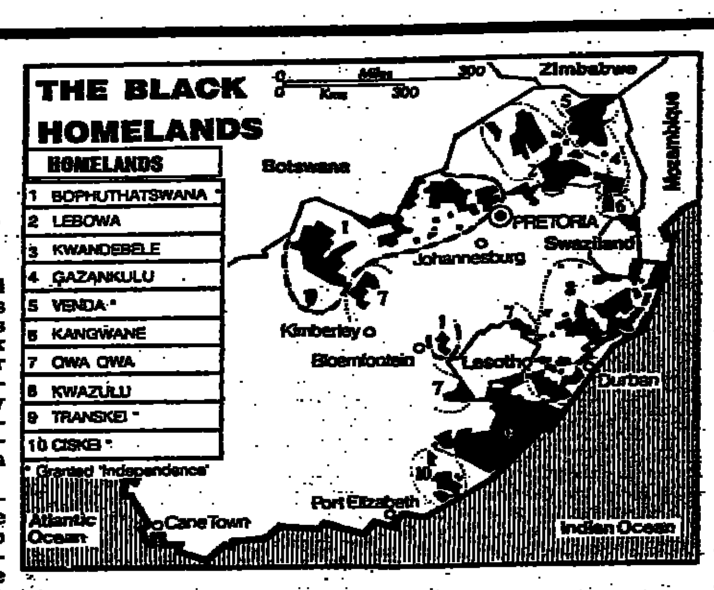
"It only needed someone to hurl a rock at a black official car and the police and army would have had to intervene to restore order. People would have been killed and the army would have been tarred with defending a corrupt regime," he said in an interview.

After assuming power the general called on all those with knowledge of corruption to come forward. "I am the son of a chief, but I come from a rural area where people are very unhappy because no roads have been built, the hospitals are run down and even the chiefs have been taking bribes. We must jack up standards...If we want the people to support us we must do things speedily, in the military way."

Stamping out corruption is the top priority and the result of the commission of enquiry has been extended to cover all areas of government. "Nobody is above the law and if the commission establishes proof of corruption criminal charges could follow leading to confiscation of property," General Holomisa added.

Whether the army will stamp out corruption or succumb to it remains to be seen. The general hopes that the army will return power to a cleaned-up civilian government before that can happen.

In the meantime a question now hangs over the survivability of President Sebe's regime in neighbouring Ciskei. It too has a reputation for corruption and oppression.



Israel tries to counter US doubts

By Andrew Whitley in Jerusalem

MR YITZHAK SHAMIR, the Israeli Prime Minister, yesterday dispatched one of his closest aides, Mr Eliakim Rubenstein, for talks in Washington in a fresh effort to counter international criticism.

Mr Rubenstein, the Cabinet Secretary, follows hard on the heels of Mr Yossi Beilin, a top Foreign Ministry official. Mr Beilin dealt primarily with ways of getting Israel's side of the story across in the American heartland, but Mr Rubenstein will be focusing on presenting Mr Shamir's case against a proposed international conference on the Middle East.

The visit is the latest sign of the Israeli Government's alarm at the damage done to its international image by its handling of the recent disturbances in the occupied West Bank and Gaza Strip. Israel's international stock has not been as low since the 1982 invasion of Lebanon. The Government is particularly worried about the sharp criticism emanating from the influential US Jewish community.

A new information centre has been established in Jerusalem, to cope with the nearly 700 foreign journalists now in the country – 450 of whom have arrived since the troubles began last month.

Nominally a joint effort by the Foreign, Defence and Police Ministries, together with the Israel Defence Force, in reality the centre represents one fruit of the army's realisation that while it may be winning the battle on the streets, it is indisputably losing the propaganda war.

Arab states have also been seizing the propaganda initiative in recent days. An emergency meeting of Arab League Foreign Ministers agreed – as their final communique said – "to begin an intensive press campaign at world level, in order to increase the isolation of Israel on the international scene."

Demjanjuk trial

The trial of Mr John Demjanjuk, the retired US car worker, accused of being the sadistic guard "Ivan the Terrible" from the Treblinka death camp, entered its final stages yesterday, with the prosecution beginning is summation, Judith Maltz writes from Jerusalem. The three-judge court is expected to deliver a verdict some time in March or April.

Strauss hints at Soviet doubts about Angola

BY ANTHONY ROBINSON

MR FRANZ-JOSEF STRAUSS, leader of the Bavarian wing of the West German coalition government, said yesterday that he had told President P W Botha of his impression that the Soviet Union felt it was getting "no return" from its involvement in Angola.

Mr Strauss was speaking at a press conference in Cape Town after his second meeting with President Botha. He said he had brought no "secret message" from Moscow, where he met Mr Mikhail Gorbachev, the Soviet leader, and then held talks in Bonn with Mr Eduard Shevardnadze, the Soviet Foreign Minister, before setting off to renew personal contacts with the South African Government, and meet other regional leaders including the Mozambique President, Mr Joaquim Chissano.

Mr Strauss said he had told President Botha, and Mr Pik Botha, the South African Foreign Minister, of his impression that the Soviet Union felt that it was "getting no return" from its involvement in Angola.

Mr Strauss, a long time personal friend of several senior South African politicians, flew to a secret airstrip in Nambia over the weekend for talks with Mr Jonas Savimbi, leader of Angola's rebel Unita movement.

US to stop new aid to Zambia

By Victor Mallet in Lusaka

ZAMBIA has sunk deeper into trouble with its western donors following a US move to cut off new aid money and non-emergency food assistance.

The International Monetary Fund has already declared Zambia ineligible for further loans and the World Bank has suspended the funding of aid projects.

The terms of the Brooke amendment forbids new US money for countries in default for more than a year.

Arrears total about $3.8m, but the payment of just over $1m would put Zambia in the clear again.

India to discuss withdrawal

BY JOHN ELLIOTT IN NEW DELHI

INDIA last night started a week of talks in New Delhi with Sri Lanka which will cover a possible timetable for holding provincial elections on the island and for the withdrawal of more than 40,000 Indian troops who have formed a peace keeping force since last August.

The Sri Lankan Government is understood to be planning to hold new provincial elections in March or April. Some ministers would like India to withdraw its troops before then, hoping this would placate opinion among the island's majority Sinhalese race.

However timetables were not discussed yesterday when Mr Junius Jayawardene, the Sri Lankan President, held an opening round of talks with Mr Rajiv Gandhi, the Indian Prime Minister, on the implementation of the Indo-Sri Lankan agreement reached last August on the island's Tamil ethnic unrest.

Mr Jayawardene arrived yesterday morning in New Delhi where he is the Government's chief guest at today's Republic Day Parade.

A draft of a proposed treaty of peace, co-operation and friendship between the two countries was tabled yesterday by Mr Jayawardene. India, however, is treating the proposal with caution. It is concerned that such a treaty might reduce the right to a say in some of Sri Lanka's defence and foreign policy issues which it gained through side letters annexed to last August's agreement.

The Sri Lankan army is training about 20,000 people to protect members of Parliament against an outlawed political group which has murdered government supporters, senior officials said yesterday, Reuter reports from Colombo. All trainees had been recommended by 145 members of Parliament belonging to the ruling United National Party, which has come under attack from the outlawed Janatha Vimukthi Peramuna.

N Korea bars Americans

North Korea announced diplomatic sanctions against the US yesterday in retaliation for Washington's decision to brand the country a terrorist state, Reuter reports from Tokyo.

The official North Korean Central News Agency, monitored in Tokyo, said Pyongyang would bar Americans from entering the country and refuse to negotiate with Washington for the return of the remains of US soldiers killed during the Korean war.

"As a retaliatory step against the United States . . . we will refrain from meeting American diplomats, the foreign ministry said.

Tokyo embarrassed by S African trade links

BY IAN RODGER IN TOKYO

THE TOKYO Government is extremely embarrassed about Japan's emergence as South Africa's leading trading partner. But foreign ministry officials point out that this unwished-for title has descended on the country because of the rise of the yen; there has been no increase in trade between the two countries.

The adverse publicity surrounding this development may push the Japanese Government into taking additional sanctions against South Africa. But sharp divisions exist within the Government over the need for further action; some officials claim that Japan's sanctions are already tougher than those of most Western countries.

The Government has now confirmed reports that Japan has displaced the US to become South Africa's largest trading partner. US trade with South Africa has dropped sharply since an anti-apartheid law was enacted by the US federal government in 1986.

According to International Monetary Fund statistics, the US slipped to fourth place among South Africa's trading partners in the first seven months of last year, while Japan was a clear leader, 13 per cent ahead of West Germany in second place and 59 per cent ahead of the UK in third.

In dollar terms, Japanese trade with South Africa rose 24 per cent between 1984 and last year, while in yen terms it declined by 24 per cent.

Japanese officials think they have been unjustly criticised by other countries. Their sanctions against South Africa include restrictions on investment, travel and imports and exports of certain strategic products.

They also claim that Japanese products have not displaced US ones since the US withdrawal. They admit there could be some movement of Japanese goods into South Africa through agents in third countries, but say many Japanese companies were now highly sensitive to the South African problem and are trying to prevent this happening.

"We do not have anything to hide," a Foreign Ministry official said. "This is not like Cocom" - a reference to the incident last spring in which a Japanese company was caught selling sophisticated machine tools to the Soviet Union- "which was a clear violation."

Some officials also believe the Government should put pressure on certain key exporters to South Africa to restrict their exports to that country. For example, Japan's exports of iron and steel and motor vehicles to South Africa increased last year.

"Some Japanese commercial companies' behaviour does not reflect the Government's policy," one foreign ministry official said. But there is no consensus within the Government to put pressure on exporters. Similarly, there appears to be no agreement on whether the country's policy should be to continue to put political pressure on the South African Government or to press for full economic sanctions.

Officials said the Japanese people's lack of awareness about the South African situation made it difficult to win political support for tougher action against the South African government.

They hoped that Cry Freedom, the Richard Attenborough film, which is to open in Japan soon, would have an effect on public opinion.

JAPAN-SOUTH AFRICA TRADE
Total of imports and exports

	1984	1985	1986	1987*
In terms of US$bn	3.45	2.86	3.59	4.27
In terms of Ybn	816	687	607	620
Average exchange rate	237	238	168	144

*Tentative figures

Source: Japan Tariff Association

S.AFRICA'S MAIN TRADE PARTNERS 1987 (Jan-July)

	Country	Total trade (US$bn)
1	Japan	2.23
2	W.Germany	1.98
3	UK	1.40
4	US	1.39
5	Italy	1.19
6	France	0.54
14	Canada	0.09

Source: IMF

Alcatel clinches Peking contract

By David Thomas

ALCATEL, the telecommunications equipment joint venture between CGE of France and ITT of the US, has clinched a deal worth more than FFr580m (£50m) to help modernise Peking's telephone network.

The Chinese authorities have recently awarded a number of contracts as part of their drive to upgrade China's communications.

Alcatel will supply and instal 10 of its E10 digital public exchanges and 12 satellite exchanges, totalling 155,000 lines.

Part of the deal involves Cables de Lyon, Alcatel's cable subsidiary, providing telecommunications cables worth FFr92m.

Alcatel will also supply two microwave telecommunications links covering more than 2,000 kms.

Algeria ties up Spanish gas search accord

ALGERIA has concluded a major oil and gas exploration pact with the Spanish company CEPSA in the second such deal under a new law permitting greater foreign involvement in the sector, Energy Ministry officials said, **Reuter reports from Algiers.**

The terms of the contract between the Algerian state oil company Sonatrach and the Spanish had been agreed, and the accord would be signed soon.

The pact was similar to one signed between Sonatrach and the Italian oil giant AGIP in December.

That pact was the first signed after a new law came into force removing many barriers which restricted the scope offered to non-Algerian companies.

Oman to 'upgrade' gas industry

OMAN, faced with a Rial 194m (£277m) budget deficit for fiscal 1988, intends to upgrade its natural gas industry, officials said yesterday, AP-DJ reports.

Rials 6m is to be spent developing three gas production plants this year, the officials said.

Mary Helen Spooner reports on the ending of tariff concessions

Chile faces cut in exports to US

THE RECENT decision, on labour rights grounds, by President Ronald Reagan's Administration to remove Chile from theUS generalised system of preferences (GSP) has provoked angry nationalistic reactions from General Augusto Pinochet's military regime.

The move was accompanied by a measure to end activities in Chile by the Overseas Private Investment Corporation (OPIC), which insures US investment abroad.

The GSP, begun in 1976, was designed to encourage non-traditional exports from developing countries, by allowing some duty-free imports into the US.

In 1986 Chile exported $59m worth of products to the US under this programme. Preliminary estimates from last year put Chilean exports under GSP at around $85m.

Without benefit of GSP, some 200 Chilean products, including manufactured goods, mineral and agricultural products, will face import taxes ranging from 0.3 per cent to 35 per cent.

The US labour organisation, the AFL-CIO, had for years criticised the Pinochet regime's labour practices, and repeatedly urged that sanctions be applied. Most trade union rights were suspended after the 1973 coup which brought the regime to power, and only partially reinstated in 1979, in the face of a threatened international trade union boycott.

The Chilean labour code allows workers to form unions, to bargain collectively and to strike within certain limits. Labour unions are allowed to operate on a company, rather than an industry-wide basis, strikes may be held only after contract negotiations fail and employers are allowed to fire striking workers after 59 days' work stoppage.

Chilean trade union leaders opposed to the regime have been arrested, deported and in some cases murdered. The 1982 killing of the moderate president of Chile's public employees union, who had been under heavy police surveillance, has yet to be solved.

Last year a trade unionist who spoke to Pope John Paul II during the pontiff's visit to a Santiago slum was savagely beaten by right-wing thugs who broke into his home. A few months later Chilean authorities ordered the arrest of two labour leaders for their part in an unsuccessful one-day general strike. The labour leaders reported they had received death threats while in prison.

The Reagan Administration decided to examine Chile's labour practices two years ago and, early in 1987, said it would delay removing the country from GSP for another year in the hope that Chile's labour record would improve.

In the interim, a succession of lobbyists argued in favour and against the proposed sanction. The Chilean human rights commission and the country's largest labour organisation, the national workers command, urged that sanctions be applied. A member of a government advisory body, the president of Chilean-American chamber of commerce and two pro-government labour leaders visited Washington to argue against such a measure.

On Christmas Eve Mr Alan Holmer, deputy US trade secretary, announced that Chile "has not complied with the demands of our legislation" and would thereby be suspended indefinitely from GSP benefits. Central bank officials calculated that the measure would affect about $40m in exports this year, a significant reduction from previous years, with added import duties of about $2.5m.

Although the measure seems unlikely to make much of a dent either in Chile's trade balance in particular or economy in general, the Pinochet regime was quick to react. Mr Harry Barnes, the US Ambassador, was summoned to the Chilean Foreign Ministry to hear an official protest. The labour minister said that the country's legislation "will not be altered to please any government in any country", and accused the US of "imperialist aggression." La Tercera, the pro-government tabloid newspaper, reported that 200,000 Chilean workers would be harmed by the US move.

Mr Julian Burgos, the president of Chile's association of non-traditional exporters, also criticised the measure and said that improvements in the country's labour code would not necessarily translate into better conditions for Chilean workers. He said that many employers did not comply with existing labour standards regarding minimum wage levels, which he said were among the lowest in Latin America, and attributed these abuses in part to high unemployment and underemployment.

The decision to halt the overseas private investment corporation insurance for US investors in Chile may have greater consequences for the country's financial climate. OPIC withdrew from Chile during the socialist government of Salvador Allende (1970-73), which nationalised several US Holdings, including copper mines partially owned by US mining companies, without compensation. The corporation made a belated return to Chile in 1985, almost a decade after US mining companies and other firms began reinvesting in the country.

Since August OPIC had extended to US companies operating in Chile $283m in insurance coverage against expropriation, and another $271m against blocked capital and profit remittance.

Ericsson close to mobile phone deal with India

BY SARA WEBB IN STOCKHOLM

ERICSSON, the Swedish telecommunications company, is close to winning a SKr60m (£5.5m) contract to supply a mobile telephone system to India.

The deal could open the door to several large contracts for mobile telephone and public telecom equipment this year.

The Swedish group also plans to tender offers for public telecommunication exchanges this spring in an attempt to secure a significant foothold in the Indian telecom market. Ericsson has for a long time wanted to establish its equipment in the Indian market.

It regards India as an important market for the future, but so far has not won any substantial orders there.

Ericsson, Motorola, and NEC have been short-listed to supply a mobile telephone system in Bombay for 5,000 subscribers worth about SKr60m. The initial deal is likely to lead to further contracts as the mobile telephone system is built up. The Swedish equipment is regarded as the favourite from the technical point of view.

The contract is regarded as a "door-opener" to the expanding Indian mobile telephone market. New Delhi has plans to set up mobile telephone systems in 14 major cities and has said it hopes to have one telephone in every village by the end of the century.

Tenders have also been invited for eight large trunk exchanges and for four international exchanges in projects financed by the Asian Development Bank. Ericsson intends to submit its AXE switching equipment for the offer.

BAe to set up venture with Singapore group

BY ROGER MATTHEWS IN SINGAPORE

BRITISH AEROSPACE yesterday signed a memorandum of understanding to set up a joint venture company with the Sheng-Li group of Singapore, which will mainly involve its two subsidiary companies, Singapore Aircraft Industries and Singapore Technology Corporation.

In addition to marketing a range of British Aerospace defence products and associated equipment, it is intended that the joint venture company will have a technical role in the manufacturing, integration and servicing of a range of the British company's products and components. It will also participate in the development of new products and systems.

The agreement reflects the expertise which the Singapore group has developed in marketing defence-related products in the region. It also fits in with British Aerospace's declared aim of reducing production costs in an area where Singapore has already shown it can compete efficiently.

British Aerospace has concluded similar arrangements for specific products in other countries but the Singapore joint venture appears to be more broadly based.

The British company has well-established links with Singapore, stemming from its sale of Hunter and Strikemaster aircraft, together with Bloodhound and Rapier missiles.

Microchip imports level off

JAPANESE imports of foreign-made microchips appear to have levelled off after hitting a peak in the April- June quarter of last year, an official at the Ministry of International Trade and Industry said yesterday, Reuter reports from Tokyo.

Washington has charged Japan with failing to widen foreign access to its domestic microchip market. In retaliation, Washington still imposes $165m-worth of sanctions on selected Japanese exports to the US.

Last April, the US imposed $135m-worth of sanctions but later removed them after saying Japanese makers were no longer dumping, or selling below cost.

Foreign-made imports as a percentage of Japanese microchip purchases rose to a high of 12.6 per cent in the April to June quarter from 10.2 per cent in September 1986 when Japan and the US signed a pact on microchip trade, according to a Ministry survey of 63 Japanese microchip users.

Tokyo pledged under the pact to avoid dumping chips in overseas markets and to boost foreign chipmakers' access to the Japanese market.

Since last July, imported chips' share of the Japanese market has hovered just below the April-June peak, totalling 12.5 per cent in the July to September quarter and 12.4 per cent in October, the MITI official said.

Japanese companies' foreign chip purchases initially rose as they bought standard items which could easily replace Japanese products.

But further gains would require buying chips specially designed for use in specific Japanese products. Development of such chips requires company-to-company agreements and can take up to 18 months, the official said.

OVERSEAS NEWS

Ethiopia relaxes Marxist dogma for agriculture

BY VICTOR MALLET IN LUSAKA

ETHIOPIA, threatened by famine in 1988 and food shortages for years to come, has finally announced plans to increase agricultural production along the lines suggested by foreign advisers.

In a cautious move towards incentives and away from absolute state control, the Marxist Government has announced a 10 per cent increase in the prices paid to farmers for their produce and a liberalisation of grain marketing to encourage private traders.

The price increase is the first since 1980. Donors regard the Government's announcement as an important first step, but it remains to be seen if the shift in policy is radical enough to unblock hundreds of millions of dollars in aid money tied to agricultural reform.

As long ago as March, 1986, the European Community and Ethiopia a signed an agreement for Ecu230m (£160m) but the money has not been disbursed because of the Government's reluctance to change course. Collectivisation rather than individual incentives has been the hallmark of the Ethiopian regime.

Although donors are agreed that it is essential to follow up emergency aid with money for long-term development, many are unwilling to fund policies such as collectivisation which they believe have failed elsewhere and will fail in Ethiopia.

Agriculture is fundamental to Ethiopia's economy, providing about 85 per cent of employment, 80 per cent of exports and nearly half of the gross domestic product. Food output, reduced by drought, soil erosion and backward farming methods, has been unable to keep pace with population growth.

Asia-Pacific growth in air traffic poses new challenges

BY ROGER MATTHEWS IN SINGAPORE

FT CONFERENCE

Civil Aviation in the Pacific Basin: The Pattern of the Future

THE ASIA-PACIFIC region is not only the largest air transport region in the world, it is also the fastest-growing and is likely to remain that way for much of the next decade. The opportunities and challenge that this was producing provided the main theme for speakers at yesterday's opening session in Singapore of the Financial Times conference on Civil Aviation in the Pacific Basin: the Pattern of the Future.

The International Civil Aviation Organisation has forecast that passenger traffic in the region will grow at an annual average rate of about 11 per cent up to 1995 and that by that time the airlines within the region will account for about one third of all world scheduled air traffic.

Mr Michael Miles, chairman of Cathay Pacific Airways, said all the main airlines in the region and on trans-Pacific routes were operating at high load factors using large wide-bodied aircraft. "Yet there appears to be no slackening in growth rates or demand for travel both to the region from Europe and the US, and from within the region itself," he said.

The rapid rise in the number of Asian travellers would soon dwarf the number of visitors from outside the region and he expected that the wish of the Japanese Government to see an annual level of 10m overseas trips by Japanese passengers would be achieved more rapidly than forecast.

The regional airlines would not be able to cope with this large increase in demand by operating larger aircraft. On the longer sectors they were already using Boeing 747s almost exclusively.

In the past, many of the problems created by growth had been solved by automation, said Mr Miles. However this could not be the solution to problems such as additional cockpit crew or cabin staff where airlines were now having to compete harder for personnel. It would also not solve the problems posed by slow immigration procedures in certain countries or obstructive customs inspections.

Mr Miles also stressed that little had been done about inefficient air traffic controllers or the inadequate equipment on which they relied. He was further concerned about the potentially dangerous disregard for civilian air traffic control shown by some air forces in the region.

Government involvement in traffic rights was certain to continue, said Mr Miles, although he hoped that it would be with a lighter touch. A greater degree of liberalisation on this issue by governments in the region would reveal that the stance of the US on international traffic rights was "transparent and indefensible".

Dr Cheong Choong Kong, managing director of Singapore Airlines, developed this theme which he described as his airline's number one hobby horse. He emphasised the benefits which had accrued from domestic deregulation in the US and was hopeful that moves in Europe towards liberalisation were acquiring greater momentum.

However, the pace was not fast enough and airlines were having to turn away passengers on some routes. A trigger mechanism should be introduced, he said, whereby when an agreed load factor was achieved over a defined period each airline would automatically be allowed to put on additional capacity without the need for lengthy bilateral negotiations. This trigger mechanism would be totally market-oriented, and would ensure an orderly growth in capacity between the two countries concerned.

Dr Cheong said that the key to the pace of change lay in Europe, particularly on issues such as airline mergers and acquisitions. "In considering commercial developments, governments and industry must at least give equal weight to issues like competition and consumer choice as to nationality ownership. Efficiency, not size alone, is the best survival strategy. That is why Singapore Airlines has nothing to fear from American megacompetition."

The impact that Japan was having on air travel was highlighted by Mr Mitsunari Kawano, senior managing director of Japan Airlines. The huge increase in passengers would continue, he predicted, because it was only outside Japan that its people could really appreciate the benefits accruing from the rising value of the yen.

However he, too, was deeply concerned about American policies and the tight restrictions on Japan Airlines' flights to the US. "We endure facing severe competition, but we insist that the opportunities should be fair and equal." The same argument applied in the field of computer reservation systems, where foreign carriers remained at a serious disadvantage.

The issue of how to finance the vast increase in world air traffic was taken up by Mr Michihiro Sekiya, a director of the Mitsubishi Trust Bank. He said that it was expected that the total value of new deliveries of some 5,000 aircraft between now and the end of the century would amount to some $220bn in terms of 1987 dollars.

Aircraft financing had become a packaging business, he said, which went beyond the mere ability to provide finance. Banks which engaged in aerospace needed a far wider and more profound knowledge and they needed to have a mastery of relevant tax issues, accounting systems and financing alternatives.

Mr Michael Jones, director of Wardley Capital Limited, believed that very little "true" aircraft financing had been done in Asia. Leasing was also a relatively undeveloped industry. But because of the changes occurring in the industry he predicted that there would also be changes in the traditional reluctance of Asian airlines to use advisers in assisting financing options and developing new structures.

Mr Colin Hood of the National Westminster Bank said he expected to see banks continue to play a key role in funding but that a larger number of financial institutions would also have to be embraced. The banks would also move towards greater selectivity and remuneration would have to be enhanced to more attractive levels.

Other speakers included Mr Sean Donlon of GPA Group who outlined developments on aircraft leasing, Ms Barbara Beyer of Avmark who reviewed the used aircraft market and Mr Michael Donne, aerospace correspondent of the Financial Times.

UK NEWS

Tube fire 'probably started by match'

Financial Times Reporter

THE KING'S Cross underground station fire in London, which killed 31 people, was probably started by a dropped match, the disaster inquiry heard yesterday.

Experts believe the match ignited inch-thick grease and fluff, and that the fire was assisted by gaps in an escalator and by ceiling paint.

Mr Roger Henderson, QC, counsel to the inquiry, told a preliminary meeting considering technical evidence that there was a consensus among experts about how the fire began. Formal hearings are due to start on Monday and last about three months.

The fire is believed to have started at about 7.30pm on November 18 last year, on an escalator to the Piccadilly Line.

Mr Henderson said most experts agreed that an accumulation of grease, fluff and debris was probably ignited by a lighted match dropped between the edge of the tread and the skirting board on to the right-hand wheel track.

Tests had shown that a lighted match could ignite the grease and fluff, but three cigarettes had failed to do so. Mr Henderson said the accumulation of grease was "substantial."

However, he said that explanation was not supported by all experts. Some believed the fire could have been started by a match, or flaming paper or by an unlit match lighted after it fell, perhaps by moving machinery.

He said: "It is impossible to exclude the deliberate or reckless dropping of flaming material, but there is no evidence of deliberate fire-raising to be found at the scene of the fire."

The inquiry is likely to consider a number of reports on fire tests and experiments. It may also hear tape recordings of victims of the fire.

The inquiry is to be held in two parts, the first relating to the facts and immediate causes and the second concerned with longer-term causes.

Yesterday's meeting was told that three extra parties had been granted representation at the inquiry, including Proderite, the West Midlands company that supplied paint used on walls and ceilings in the area of the fire.

Mr Henderson told the hearing: "I do not presently anticipate being in a position to criticise the conduct of any body or person at the start of the inquiry since I am in no position to do so."

BT to reshape data services

By Terry Dodsworth

BRITISH TELECOM is consolidating the different activities of its £60m data services division, to try to give it more market impact.

The reorganisation will bring together businesses that are run separately in the value-added telecommunications field – services that offer clients more than a simple voice link. They include Dialcom, the US-based electronic mail organisation, Telecom Gold, which runs electronic mail in the UK, the Prestel videotex operation, and electronic yellow pages.

BT has appointed Mr John Morris, now president of Dialcom, as chairman of the new group.

Takeover Panel defends itself against Guinness in High Court

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

IF SHAREHOLDERS in Distillers were short-changed because Guinness took part in a concert-party purchase of Distillers shares that breached the City Takeover Code, Guinness should now put the matter right by paying the shareholders more, it was argued in the High Court yesterday.

Mr Roger Buckley, QC, for the Takeover Panel, said that if the present Guinness management felt it was ill-served by those controlling the company at the time of its takeover bid for Distillers, or by its professional advisers, its remedy was to sue them.

He was opening the panel's defence to Guinness's claim for a declaration that the panel acted unlawfully and unfairly last September when deciding that Guinness acted in concert in buying 10.6m Distillers shares at a price substantially higher than Guinness's alternative cash offer to Distillers shareholders.

Guinness says the panel acted prematurely on inadequate evidence. It should have waited until Trade and Industry Department inspectors investigating the Guinness affair reported.

The extra Guinness would have to pay former Distillers shareholders is estimated at between £100m and £200m.

Lord Justice Watkins questioned the panel's approach to the consequences of the concert party.

He said that what happened might have been the responsibility of people other than the present Guinness management. Could the panel just wash its hands and tell Guinness to seek a remedy in the courts?

Mr Buckley replied that Guinness had got Distillers on the cheap. That individuals might have transgressed in enabling it to achieve this was neither here nor there, because Guinness had the benefit. The panel's concern was to protect Distillers shareholders.

Lord Justice Russell said Guinness could not necessarily sue all who had transgressed the code so it was no answer to say "you have got the advantage therefore you are primarily responsible and must pay out."

Lord Justice Watkins said Guinness was about to be made sole scapegoat. Other people deeply involved were unlikely to have to pay the piper.

He said Guinness's argument was probably strengthened in that the panel had no power to see all concerned contributed to damage done.

He said Guinness was saying it had a new board of directors, none of whom was tainted, and that, if it was now going to have to increase its payment to Distillers, at the very least it was entitled to the most searching inquiry by a body empowered to compel witnesses and get to the precise truth.

He said the panel could do no more than say to Guinness "you have got it cheap; now pay the proper price."

Mr Buckley said Guinness could put those arguments to the panel when it came to deal with the consequences of its concert-party finding.

That, suggested Lord Justice Watkins, begged the question. By the time the panel dealt with consequences it would have made the most devastating finding it could, which it would not undo when talking about consequences.

Later, Mr Buckley said the panel's public duty had been to do right by Distillers shareholders.

The question whether it should in due course censure anyone – such as Mr Thomas Ward, the former Guinness director who appeared to have been at the centre of the concert party – had not been urgent and could wait.

The hearing continues today.

Bid code may require client disclosure

BY MARTIN DICKSON

THE TAKEOVER Panel, which polices the conduct of British takeover bids, warned stockbrokers and other financial intermediaries yesterday that, as part of its inquiries into share dealings, they might be required to give the names of clients on behalf of whom they had bought or sold shares.

The warning came in the latest edition of the Takeover Code, the panel's rule book, and reflects the organisation's efforts to police share dealings more closely in the wake of the Guinness affair and other City financial scandals.

The new edition sets out for the first time a multitude of new rules that have been announced piecemeal in the past year. It also spells out more clearly some general principles and makes numerous minor technical changes

It has outlined the responsibilities of financial intermediaries under rule 8 of the code, which covers dealings in shares during a bid – the issue at the heart of the Guinness affair.

The new edition says those who deal in the securities of companies involved in bids on behalf of clients have a duty to ensure that clients are aware of the obligations to disclose dealings and that those clients are willing to comply with the rules. However, this responsibility is now only triggered when the client's dealings in one stock exchange account period total more than £25,000.

It adds that intermediaries are expected to co-operate with the panel when it launches its own inquiries into share dealings during a bid, and that includes identifying clients for whom it has acted.

The new edition also lays down that in a highly leveraged takeover bid – one mainly backed by debt – the bidding company should disclose details of its financing arrangements in the offer document.

City Code on Takeovers and Mergers. Panel on Takeovers and Mergers, Stock Exchange Buildings, London EC2P 2JX. £12.

Study into costs of TV adverts

By Raymond Snoddy

FIFTEEN OF Britain's largest companies are to provide financial backing for what is being claimed as the most detailed study so far of the television advertising market.

They include Prudential, British Airways, Unilever and National Westminster Bank.

The £350,000 study by Mr Charles Jonscher of Booz Allen & Hamilton, the management consultants, is designed to improve understanding of the economics of advertising. It will also show how individual companies and the UK economy are affected.

The study will look at the potential sources of damage to the UK economy from the high cost of television advertising. They include direct inflationary pressure, higher costs to industry resulting in a poorer competitive position and "the stifling of new product development due to high launch costs."

The starting point includes the hypothesis that cost inflation in television advertising, which last year was 25 per cent, is sufficiently serious to concern government.

The national television advertising outlay of more than £1.3bn may not be significant in terms of direct inflationary effect on the economy. But Mr Jonscher believes the higher cost to consumer goods industries should be calculated on the basis of data on individual products.

For a typical consumer product, television advertising costs are equal to about 5 per cent to 10 per cent of revenues. With advertising inflation of 25 per cent, the annual cost increase for individual products amounts to 1.25 per cent to 2.5 per cent.

The study will also look at the prospects for new commercial television channels.

Farm income remains stable

BY BRIDGET BLOOM, AGRICULTURE CORRESPONDENT

THE INCOME of the beleaguered farming industry remained stable last year in spite of the poor cereal harvest in England and lower prices for some crops under the European Community's Common Agricultural Policy.

The Government's annual white paper on agriculture, *published yesterday*, shows that aggregate farm income for 1987 declined by 1.5 per cent. The figure masks actual rises in income for the mainly pastoral farmers of Scotland, Wales and Northern Ireland.

The white paper, a yearly snapshot of the farming industry, shows farmers marking time while politicians and officials wrestle over the future of the CAP. The policy will govern the level of subsidies, commodity prices and many other aspects.

The principal reason for the small decline in farm income was the poor cereal harvest in southern England last year because of bad weather. That brought down arable incomes.

Dairy farmers, subject to quotas and registering a 5.5 per cent decline in milk production, did well last year, as did sheep farmers, who show a 7 per cent increase in deliveries for meat production.

Overall aggregate income is put at £1,404m for 1987 compared with £1,427m in 1986 and £1,085m in 1985. Gross output, at £12.26bn, shows a 0.5 per cent decrease over 1986.

That again reflects the decline in cereal production. The lower output discounted an overall rise in prices paid to farmers of some 1.5 per cent. (These rises came mainly from potatoes, vegetables, flowers and garden plants – all commodities unprotected by the CAP).

An increase in the rapeseed crop of some 40 per cent might have been expected to raise incomes from cereals, but the crop experienced a 22 per cent drop in price as the EC struggled to control its popularity.

The white paper makes clear that farmers and others are reacting cautiously to the uncertainty surrounding the industry. The value of new investment in fixed assets is expected to fall about 12 per cent to £910m over 1986.

Bank borrowings were about 1 per cent up on 1986, at about £5.9bn. However, the white paper notes that for most farm businesses the relationship of assets to liabilities is sound.

Britain has some 254,300 farm holdings, a slight increase over the 1984 total of 252,000, but a minority of farmers is responsible for more than half of the country's production. Last year, 110,000 holdings of less than 50 acres produced only some 2.5 per cent of output while 29,500 holdings produced 55 per cent of output.

Some 590,000 people are estimated to earn their living wholly or partly from agriculture, nearly 100,000 less than in the mid-1970s.

Annual Review of Agriculture, HMSO Cm 299, £7.40

Rifkind allows more peatland forests

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT is to allow further limited tree planting in the peatlands of Caithness and Sutherland in the north of Scotland, thus opening the way for further purchases by outside investors attracted by the tax concessions.

There has been considerable controversy following well-publicised buying of forest land in the area by wealthy individuals such as Mr Terry Wogan, the television chat-show host.

The Nature Conservancy Council last July produced a report – Birds, Bogs and Forestry – calling for a complete moratorium on further afforestation in the area of Caithness and Sutherland known as the Flow Country, to protect important bird breeding grounds.

However, Mr Malcolm Rifkind, Scottish Secretary, last night announced his interim conclusion that the conservation needs of the area should be secured while at the same time protecting the local economy by allowing further forestry development.

Mr Rifkind accepts that much of Caithness and Sutherland is of national and international importance for conservation and has asked for a very substantial area of peatland to be safeguarded, including the most important bog systems and bird habitats, especially on the wet flows.

However he has decided that some further afforestation should be allowed in order to contribute to the nation's planting programme and to maintain local employment in forestry and maximise the opportunities for future investment in the wood-processing industry.

He believes the evidence shows that Caithness and Sutherland can accommodate some further afforestation without affecting the conservation significance of the area as a whole.

Consequently, Mr Rifkind has decided that forestry grant should be offered in four of the seven cases that have been before him as a result of the Nature Conservancy Council's objections.

He said he was encouraging the council to proceed as quickly as possible in identifying further areas as potential sites of special scientific interest.

Data Logic wins £17m Swiss bank contract

By Alan Cane

A £17m CONTRACT to provide a complete dealing room system for the London headquarters of the Union Bank of Switzerland has been won by Data Logic, a UK-based systems house which is part of the US Raytheon group.

The contract, believed to be the largest contract in monetary terms ever awarded for dealing room technology, was won against a final list of contenders that included Reuters-Rich and Bishopsgate, both of the UK, Micrognosis, and Data General of the US.

Union Bank of Switzerland discussed its dealing room requirements with every potential supplier in the developed world before settling on Data Logic.

About 587 dealing desks will be installed this year in UBS's Broadgate III headquarters in the east of the City. According to Mr Michael Harrison, Data Logic's marketing director for financial systems, the contract stipulates that it must be possible to double the size of the entire system. The £17m referred only to equipment that had to be installed and commissioned this year.

He said the systems would require especially difficult integration methods involving up to four screens for each dealing position, with market information being fed in both in traditional video form and in the more advanced digital technology.

Simplex closes Stoke plant

By Nick Garnett

SIMPLEX ELECTRICAL, an electrical equipment manufacturer based in Ayr, Scotland, is closing its Blythe Bridge factory near Stoke-on-Trent with the loss of 270 jobs.

The company, which was the subject of a management buy-out from General Electric of the US in 1984, blamed a steep decline in export demand for products made at Stoke.

The Blythe Bridge factory manufactures a range of electrical accessories and components, including circuit breakers and switches.

Mr Eugene O'Donoghue, Simplex chief executive, said the export markets for its products in the Middle East, Far East and South Africa had declined sharply in the past three years.

Sales last year were £35m and its last reported profit was £1.02m in 1986.

Premier purchases Italian tea maker

PREMIER BRANDS, the privately owned UK food manufacturer, has bought an Italian tea company, Jersey Trading, for an undisclosed sum.

Premier, which sells Typhoo and Ridgways teas, said Jersey was the largest tea maker in Italy, with a tea bag factory near Pisa employing 50 people. Two thirds of its output is exported.

The purchase strengthens Premier's position on the continent, where it has a French subsidiary and about 50 distributors for its products.

Power cut blacks out Topic screens

ABOUT 100 of more than 7,000 screens connected to the Stock Exchange's Topic news service were out of action yesterday because of a power disconnection at the weekend when new generators were fitted.

The Stock Exchange said most of the screens had been reconnected by lunchtime.

Philip Coggan and Heather Farmborough find out how the Stock Exchange's newest tier is faring

Birthday for a Third Market that could do better

THE THIRD MARKET is one year old today. The Stock Exchange's newest trading tier has not been an unqualified success – liquidity has been low and the number of entrants disappointing – but nor has it been a disaster.

The idea behind the market was simple. With the Over-The-Counter market facing the threat posed by the restrictive provisions of the Financial Services Act, the Stock Exchange decided to establish a new trading forum that would combine the flexibility of the OTC market with the respectability of a regulated exchange.

There are few formal requirements for Third Market entry. Companies need only a one-year trading record and do not have to release a minimum amount of equity into public hands. Business Expansion Schemes, barred from both the main market and the Unlisted Securities Market, can join the tier.

Before the Third Market opened, many commentators were enthusiastic about its prospects. There were optimistic predictions of 25 companies trading on the first day and 100, or even 200, by the end of the first year. The outcome was much less exciting; the first day managed eight entrants, the first year 37.

Growth has been limited by the Stock Exchange's decision to place the responsibility for vetting new entrants firmly in the hands of the sponsors. Since few brokers want to be lumbered with the reputation of producing the market's first failure, they have been extremely cautious about the companies they sponsor. Many hopefuls have been turned away.

Sponsorship business has so far been concentrated among smaller houses, as it was in the early days of the USM, when the larger brokers held back. No large brokers have deliberately sought sponsorship business in the manner of smaller houses such as Guidehouse Securities.

Barclays de Zoete Wedd, for instance, has decided only to consider sponsoring BES companies or those which meet all the requirements for a quotation on the USM, apart from a three-year trading record. As Mr Fred Hohler of BZW asks: "How can we ask for anything less than the Stock Exchange's minimum requirements?"

There is also the question of fees. For many corporate finance departments, sponsoring Third Market companies simply does not pay. Those that go ahead have to hope that the small companies of today become the big conglomerates of the future.

Those hopeful companies which have been turned down by sponsors have made six common mistakes, according to Mr Paul Nott, of Peat Marwick McLintock, the accountancy firm. The first is a lack of business planning and poor understanding of financial resources in particular. Management skills are often inadequate while financial controls are weak – "the seat-of-the-pants approach," as he calls it.

Business methods, he says, are often more appropriate to a private company, particularly those regarding tax. "Some of the historical accounting information on which projections are based are unreliable," he adds.

This unwillingness for sponsors to take risks poses the question of whether it was worth while establishing a market for young, high-risk companies in the first place. However, the positive side of such caution is that none of the companies has failed as yet. Only one issue, Neilson Leisure, was withdrawn when it became clear that the company would not meet its profits forecast.

Those companies which have made it on to the market have been able to make use of their quotations. Twelve companies – a third of the total – have together made 30 acquisitions, issuing £26m worth of shares in the process.

But the Third Market still faces several difficulties as it enters its second year.

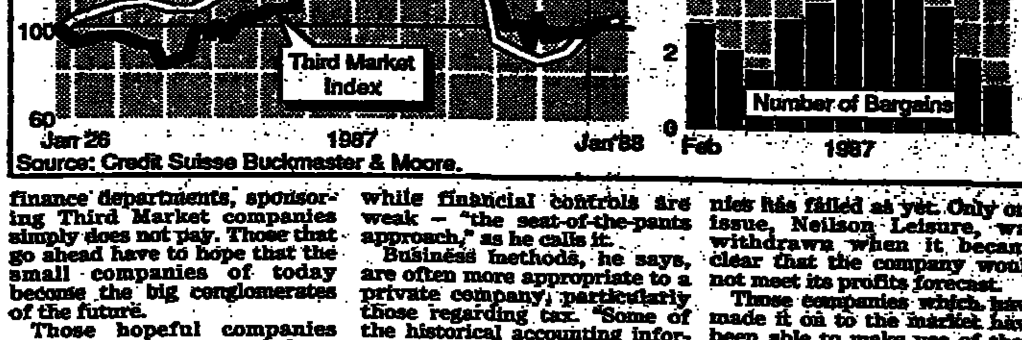
Turnover has not been inspiring. From nearly 5,000 bargains in the month of September (equivalent to one day's trading on the USM), volume fell to 1,343 bargains in the whole of December. On one day, just 20 bargains were conducted. At that kind of level of liquidity, few institutions are likely to be keen on investing.

Another disappointment is that only four BES companies have yet come to the Third Market. That is partly because the BES rules prohibit investors from selling their shares without losing their tax relief. As a consequence, until the five-year period is up, most of the arguments for a Third Market quotation are largely theoretical.

However, this year Mr Nott expects to see the first flood of BES companies reaching their fifth birthday and looking for a quotation. The expected demise of the OTC market should certainly encourage more applications.

The optimists argue that the USM was also slow to gain acceptance and predict as many as 75 to 100 additions by the end of the year. But pessimists feel that until more applicants prepare their homework more diligently, the number of companies that make it past the safety-net of the sponsors may be extremely limited.

The Third Market



Source: Credit Suisse Buckmaster & Moore.

FT LAW REPORTS

No indemnity for careless shipowners

NAVIERA MOGOR SA v SOCIETE METALLURGIQUE DE NORMANDIE.

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Mustill and Lord Justice Nicholls): January 15 1988.

A SHIPOWNER cannot recover indemnity for the consequences of signing inaccurate bills of lading presented by charterers, if the effect of the master's earlier carelessness predominates over any breach of contract that the charterers might have committed by presenting the inaccurate bills.

The Court of Appeal so held when dismissing an appeal by plaintiff shipowners, Naviera Mogor SA from Mr Justice Staughton's decision (*[1987] 1 FTLR 243*) that they were not entitled to be indemnified by charterers of the Nogar Marin, Société Metallurgique de Normandie, in respect of loss arising out of a claim by receivers of cargo.

LORD JUSTICE MUSTILL, giving the judgment of the court, said that by a charterparty made on December 6 1979 owners of the Nogar Marin were not to be responsible for the condition in which cargo was shipped.

The charterers, who were manufacturers of a cargo of wire coils, conveyed them to the quay and shipped them for their own account. On arrival at the quay they were stored in the open. It rained.

Before shipment the master made a brief inspection of the goods. Some of the coils had rusted. He thought they were in apparent good order. A mate's receipt was presented to him by the charterers for signature. It contained no reference to the condition of the goods. The master signed it without addition.

On the same day bills of lading, describing the goods as "in apparent good order", were presented by the charterers to the ship's agents for signature. Added to the printed form was "clean on board". The agents signed the bills without qualification.

On January 4 1980 the Nogar Marin sailed from Caen to Tampa with the cargo. On arrival at Tampa, the damage was discovered. Receivers of the cargo arrested the vessel and made a claim to which the shipowners had no answer, since the bill of lading had not been claused. They settled the claim and sought reimbursement from the charterers. They claimed the charterers were liable to indemnify them for the consequences of presenting inaccurate bills of lading.

The arbitrators found that the master was negligent, not in the sense that he owed a duty of care to the charterers in his inspection, but in the sense that he committed an error of judgment short of recklessness. That usage was followed on the present appeal.

They found that his negligence in failing to clause the receipt prevented the shipowners from recovering indemnity, in that it intervened to break the chain of causation between presentation of the inaccurate bills and the receivers' subsequent claim.

Mr Justice Staughton upheld the award. He held it was a breach of contract for the charterers to tender a clean bill of lading in respect of goods which were not in apparent good order and condition, but that the master's intervening negligence broke the connection between that breach and the owners' loss.

On the present appeal the issues were whether any *prima facie* rights by way of damages for breach arose through delivery of the mate's receipt and the bills of lading for signature, and if so, whether they were affected by the master's negligence.

The authorities cited by counsel were not decisive. The case was to be decided on its own facts.

Counsel for the owners disclaimed any contention that an implied contract to indemnify arose from the fact of presenting the mate's receipt for signature.

That was right. The mate's receipt said nothing about the condition of the goods. All the charterers were inviting the master to do when they tendered it was to acknowledge that the goods had been received into the ship's custody.

The owners did, however, contend that the charterers committed a breach of charterparty by tendering a clean receipt.

That was rejected. The mate's receipt was not part of the mechanism established by the charterparty. It was a simple receipt.

Furthermore, the argument must founder on causation. The charterers tendered the document. The master had a free choice whether or not to clause it. He chose not to do so. Later the ship's agents had the opportunity to clause the bills of lading, so as to protect the shipowners. Again they let the opportunity pass. The resulting estoppel against the shipowners and their liability must surely only have a distant connection with the original tender of the mate's receipt.

It was assumed throughout, and conceded by the charterers, that they were in breach of contract in tendering "inaccurate bills of lading", meaning that the documents if signed would acknowledge receipt of cargo in apparent good condition, which it was not.

The court was not convinced that the concession was sound. Essentially the issue was whether the term which the charterers were said to have broken must necessarily be implied into the charter.

The complaint about the bill of lading did not concern its contractual terms. It concerned a representation of fact backed by the signature of the owners' agents who had the opportunity to check its accuracy. The representation was a tortious act towards those who became transferees for value in reliance on the fact that the bill of lading was clean.

The arguments assumed that the charterers were well aware of the defective state of the goods. Nevertheless, the arbitrators' findings showed that the master should at least have recognised enough of the true facts to require the bill to be qualified.

The making of a proper inspection was not just a matter between the master and his owners. It affected transferees as well. There was no reason to imply a term which took the ultimate financial responsibility for that task away from the master's employers and placed it on the charterers' shoulders. There was no reason to imply a term to protect shipowners against the consequences of the master failing to do his job, when that failure would present the charterers in almost every case with an unanswerable argument on causation.

It was questioned how any negligence could have intervened between presentation of the bill and the act of signature, since the master's negligence took place at an earlier stage, when he failed to clause the receipt.

The fact that the master signed the earlier document and the agents signed the later one was adventitious. Both signed on behalf of the owners. The division of function should not place the owners in a more favourable position than if the chief officer had signed the receipt and the master the bill of lading.

It was the master's mistake concerning the receipt which permitted the agents to sign the bills without qualification. If his act was not strictly "intervening", it could justly be regarded as predominant over whatever breach the charterers might have committed by presenting bills which conformed with the signed receipt.

As to the claim for indemnity under the charter, the authorities assumed that a request to act in a particular way involved a tacit offer to indemnify. By responding as he was asked, a plaintiff was regarded as having accepted the offer.

However, the authorities left no doubt that implication of an obligation to indemnify was not automatic. It must always depend on the facts of the case and on the terms of any underlying contractual relationship.

The first step was always to identify the express or implied request by the person called on to indemnify.

If the request meant: "Kindly sign this bill just as it stands with its acknowledgement of receipt in apparent good condition", the claim for indemnity must be sound, for the agents did what they were asked and no act intervened.

But that was not what happened here.

Everyone in the shipping trade knew that the master need not sign a clean bill just because one was tendered. Everyone knew it was the master's task to verify the condition of the goods before he signed.

That being so, the request implied in the tender was: "The charterers require you to bind your owners to the contract of carriage contained in the bill of lading ... The bill also constitutes a receipt and please sign it as such, with whatever appropriate qualification you may think fit."

If that was right, the claim for indemnity must fail.

By Rachel Davies
Barrister

APPOINTMENTS

New management at Morgan Grenfell

As a result of the management reorganisation the composition of the board of MORGAN GRENFELL GROUP is as follows: **Sir Peter Carey** (chairman), **Mr John Craven** (group chief executive), **Mr Michael Dobson**, **Mr George Law** (vice chairman), **Mr Richard Webb** and **Mr Christopher Whittington** (deputy chairman). **Mr Richard Bowes**, **Sir Kenneth Durham**, **Mr John Morgan**, **Mr David Palmer**, **Lord Pennock** and **Sir Eric Sharp** are non-executive directors.

Mr Blaise Hardman will remain chairman of the group's Channel Islands and Cayman Islands banking subsidiaries until August 31 when he will be succeeded as such by **Mr James Norton**.

Mr Michael Dobson, managing director of Morgan Grenfell Asset Management, becomes deputy group chief executive; he will report to and deputise for group chief executive, Mr John Craven and assume Mr Christopher Whittington's former responsibilities as chief operating officer.

Mr. Christopher Whittington, Mr. Richard Webb and the following directors of Morgan Grenfell & Co will be designated group directors: **Mr Peter Cadbury**, **Mr George Magan**, **Mr Giorgio Cefis**, **Mr Anthony Richmond-Watson**, **Mr David Douglas-Home**, **Mr David Suratgar** and **Mr John Forsyth**.

Besides being responsible for important client relationships and taking overall responsibility for the execution of major transactions, group directors will also devote time to the development of new clients and business opportunities on a group-wide basis.

Mr Michael Dobson becomes deputy chairman of Morgan Grenfell Asset Management and will be appointed chairman when *Sir John Sparrow* retires from the group board. **Mr Michael Bullock** becomes managing director of Morgan Grenfell Asset Management. **Mr Glyn Owen** becomes deputy managing director.

Mr Christopher Whittington becomes chairman of Morgan Grenfell & Co, the group's principal banking subsidiary, in succession to Mr Blaise Hardman. **Mr Richard Webb** becomes deputy chairman of Morgan Grenfell & Co. **Mr. Guy Dawson** becomes head of the corporate finance division of Morgan Grenfell & Co.

Sir John Sparrow will remain chairman of Morgan Grenfell Laurie Holdings until his retirement from the group board; that position will then be assumed by Mr Christopher Whittington.

Mr Michael Bullock, Mr Guy Dawson, **Mr Robert Binyon** (head of the group's Tokyo office), **Mr James Moltz** (chairman and chief executive officer of C J Lawrence, Morgan Grenfell Inc.) and **Mr James Norton** (group personnel director) will join the group management committee (formerly the group executive committee).

Mr Perry, Mr Webb and Mr Whittington will cease to be members of that committee, the members of which and their respective responsibilities will thus be as follows: Mr Craven, group chief executive, Mr Dobson, *deputy group chief executive*, Mr Bullock, head of asset management, Mr Dawson, head of corporate finance, Mr Rawlings, head of debt securities and banking, Mr Holmes, head of equity securities, Mr Moltz, North America, Mr Binyon, Japan, Mr Ewart, group finance director, Mr Norton, group personnel director and Mr Baylis, head of planning. Mr Binyon and Mr Moltz will remain based in Tokyo and New York respectively.

Senior Orion Royal Bank post

Mr Robert Paterson, senior executive vice president investment banking and treasury of The Royal Bank of Canada, has been appointed chairman of the executive committee of ORION ROYAL BANK.

★

BACKER ELECTRIC CO has appointed **Mr Allan Plant** as managing director. He joined the company in 1985 as finance director. **Mr Vic Timson** has been appointed distribution sales director. He was sales director with Grimwood Heating Elements. **Mr Brian Mairs** becomes manufacturing director. He held a similar position at Kooltherm Insulation Products. **Miss Paula Thomas** joins the company as finance director from Sheffield Insulation.

★

Mr Kenny B. Mason has been appointed a director of EURO *BROKERS* from February 1.

★

HAY MANAGEMENT CONSULTANTS has appointed **Mr Philip Burnford** as managing director. **Dr John Treasure**, vice-chairman *of Saatchi &* Saatchi Advertising, joins the board.

★

Mr A.D.P. Milne is appointed head of corporate finance at GKN on February 1. **Mr R.C.D. Neames** is made head of strategic development.

★

Mr Gerald Ramsden has replaced **Mr Tom Booth** as chairman of REFUGE INVESTMENTS, *a subsidiary of Refuge* Group, and **Mr Norman Peterson** and **Mr Mike Smith** have become directors. Mr Ramsden has also succeeded Mr Booth as chairman of another Refuge subsidiary, Marlborough Court Fund Managers, while **Mr Ian Colgan** is appointed to the board.

★

THE FACULTY OF ADVOCATES has appointed **Mr David Hope** dean and **Mr Alastair Cameron** vice dean. **Mr Alan C.M. Johnston** has been made treasurer.

★

ACCESS has appointed **Mr William R. Tite** to the newly created post of commercial director. He joins from Diners Club, where he was sales and marketing director.

★

Mr Patrick Rosenberg has joined SCHRODER SECURITIES as a director. He was previously in charge of *European* equity research and sales at Swiss Bank Corporation International in London.

★

Mr D.G. Eustace has been appointed a director of BRITISH AEROSPACE. He will succeed **Mr R.E. Friend** as director of finance on Mr Friend's *retirement at the end of May.*

★

Mr Tim Lowry, former managing director of Transpacific Bulk Carriers, has joined GYLLENHAMMAR AND PARTNERS INTERNATIONAL, the Swedish merchant bank, in the London office.

★

Mr D.D. McKinnon has been elected chairman of the ASSOCIATED SCOTTISH LIFE *OFFICES* in succession to **Mr C.M. Savage** whose term of office has expired. Mr McKinnon is a director and the general manager of The Scottish Mutual Assurance Society. **Mr A. Scobbie**, a director and general manager of FS Assurance, has been elected deputy chairman.

★

Mr W.A.Cross has joined the board of CARLESS REFINING & MARKETING as marketing director. He previously held marketing management positions with Exxon Chemical in the UK and abroad.

★

Mr M.V. Williams has been appointed chairman for 1988 of LLOYD'S UNDERWRITERS' NON-MARINE ASSOCIATION.

★

HARVEYS OF BRISTOL has appointed **Mr Christopher Smith** as finance director from February 1. He succeeds **Mr David Jarvis** who has become managing director of the newly-formed Allied Distillers. Mr Smith was finance director of Vine Products and Whiteways.

★

BRITISH GAS NORTH THAMES has appointed **Mr Chris Marchant** as regional director of engineering. He is currently British Gas Southern regional director of engineering. He succeeds **Mr David Brooks**, who has become regional deputy chairman for British Gas East Midlands.

★

Mr David Whitcombe has been appointed an associate director of GHL/TERN FINANCIAL SERVICES. He joined the company last June.

★

BYAS MOSLEY GROUP has appointed **Mr A. Mirza** as finance director/company secretary. He was financial controller of the Clarkson Puckle Group.

★

Mr Michael Wardley has been appointed an assistant director at STANDARD CHARTERED MERCHANT BANK, with responsibility for off-balance sheet trading. He was with Marine Midland Bank.

★

Mr Nigel C. Dancer has been appointed a director of HIGGS AND HILL PROPERTY HOLDINGS. He is senior executive surveyor.

★

NORBAIN ELECTRONICS has appointed **Mr Richard Levy** as deputy group managing director. He was European vice president of Computer Consoles.

★

BANK OF IRELAND has appointed **Mr V. Hilary Hough**, currently head of group public affairs, to be managing director of International Factors (Ireland). He also joins the board of Bank of Ireland Finance. **Mr David Holden**, currently director of public affairs at Radio Telefis Eireann, will join Bank of Ireland as head of group public affairs on May 1.

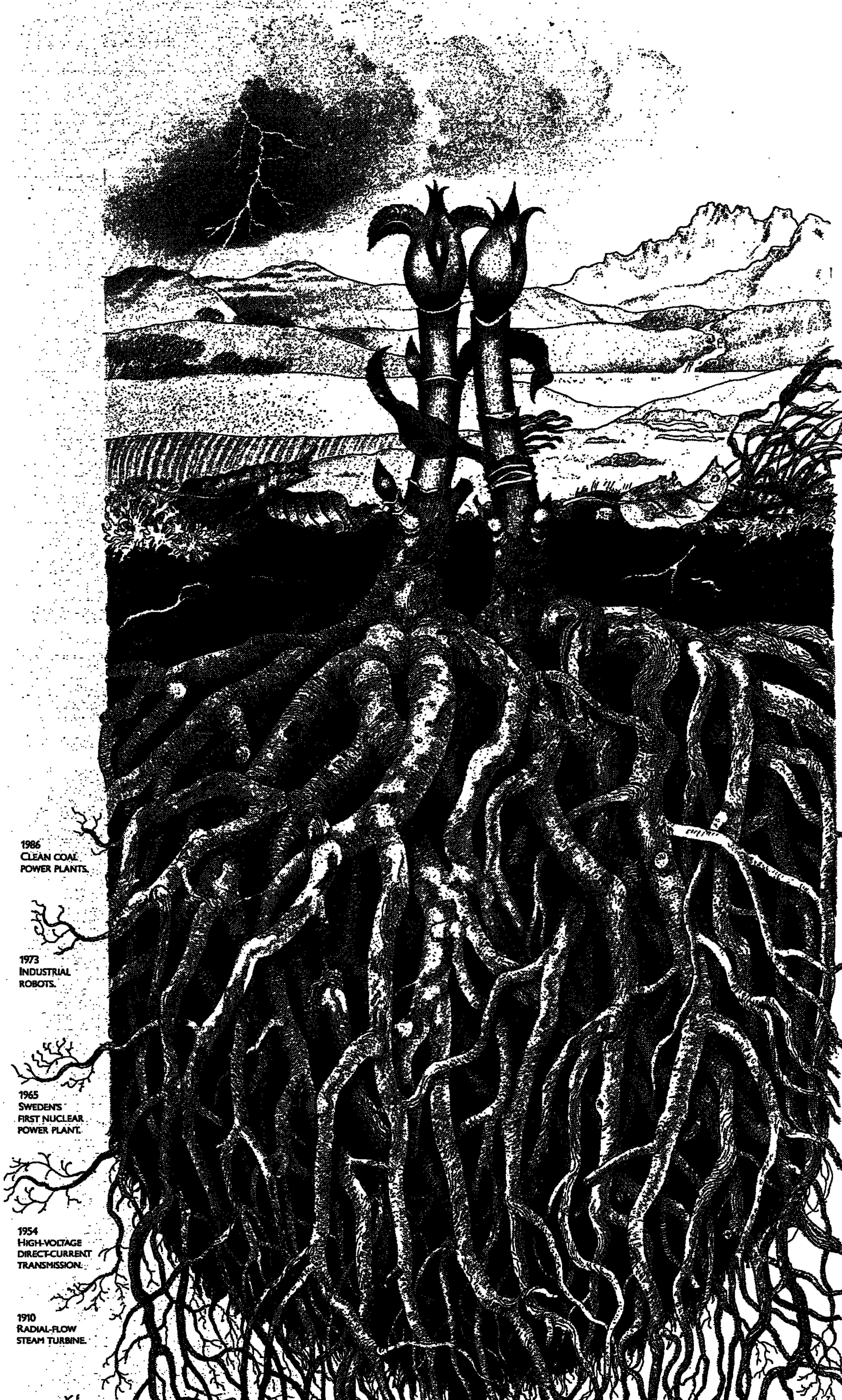
★

BURSON-MARSTELLER FINANCIAL has appointed **Mr George Welham** as deputy chairman, and **Mr John Mattison** as managing director from February 1.

★

On May 1 **Mr Michael Gorman**, FT Group finance director, will be transferring to PEARSON at Millbank, where he will become group pension manager in succession to **Mr Sandy Wright**, who retires later that month. Mr Gorman remains chairman of the FT Group pension schemes.

Common roots are now a common strength.



On January 1, 1988, a world leader in energy engineering appeared when Asea and BBC Brown Boveri merged to form ASEA BROWN BOVERI.

Just six months after the first informal discussions, the two companies have become a united force. We have combined annual sales of $18 billion and 180,000 people in more than 100 countries.

Common roots made it possible. Both companies have traditions reaching back to the earliest days of electrical engineering. Today, our products range from high voltage power transmission to solid state electronics. From clean coal power plants to industrial robots. From railway transportation systems to process control.

Energy engineering will be the focus of our joint future. Tomorrow, our products will generate electrical power more efficiently, save greater amounts of energy and help protect the environment more thoroughly.

We will continue to invest heavily in research and development for the benefit of public utilities, industry and ordinary households.

Our joint future in energy engineering grows out of common roots.

From roots in Sweden, Switzerland and Germany, we have come together to become the European world leader in energy engineering. In Europe, we are 140,000 people and we have major production facilities in Austria, Denmark, Germany, Finland, France, Italy, Norway, Spain, Sweden, Switzerland and the UK.

ABB
ASEA BROWN BOVERI

UK NEWS

Civil servants seek pay to fit skills

By David Brindle, Labour Correspondent

PRESSURE on senior civil servants to act more like businessmen should entitle them to businessmen's salaries, the Civil Service unions say in evidence to the Top Salaries Review Body.

They argue that their senior members are having to acquire managerial skills more associated with the private sector, and are subject to "all the pressures and responsibilities of their private sector colleagues."

Calling for substantial pay rises for all grades covered by the Review Body, the unions say: "In today's environment, more and more parts of the Civil Service are under pressure to earn money for the public purse and are therefore operating under conditions more akin to those in private business."

Senior civil servants' salaries are "well below" those paid in comparable private sector jobs, the unions maintain. Yet staff have had to cope with big changes in issues such as procurement policy and competitive tendering.

The unions say of such changes: "We wish to draw the TSRB's attention to them so as to dispel, for example, the myth that the senior Civil Service is a safe refuge for old-fashioned administrators who cannot and need not cope with the real world of the private sector."

Nurses' body to hold ballot on no-strike policy

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE Royal College of Nursing, the main nurses' trade union, is set to ballot its 265,000 members on a move to abandon its no-strike policy.

Mr Trevor Clay, the union's general secretary, said last night a ballot was inevitable after a meeting of RCN members at St Thomas's Hospital, London, voted 94-87 to collect the necessary 1,000 signatures to requisition an emergency meeting of the union to discuss the strike issue.

The move came after leaders of the nursing unions yesterday attended a meeting of the profession's pay review body to argue their case for large salary increases. The review body is to recommend pay rates for the revised grading structure for nurses.

It is believed that the Government, in its 150 pages of written evidence to the review body, has made no claim that it cannot afford big pay rises and has made no attempt to revive the special duty payments issue that sparked the strike by nurses in Manchester earlier this month.

The RCN's move is over its rule forbidding any official authorisation of industrial action. It would need a two-thirds majority in a general meeting or ballot to overturn it. In the last ballot on the issue, in 1982, members voted by 74 per cent to keep the rule.

Last night's development follows repeated reports of RCN members expressing a wish to join their colleagues in TUC-affiliated nurses' unions in strike action over the Government's handling of the National Health Service.

However, there have also been reports of nurses in the TUC unions defecting to the RCN in protest at strike moves. Last night, nurses at Guy's Hospital, London, voted against a strike. In part, therefore, a ballot on the no-strike policy would be an attempt to gauge accurately the mood in the profession.

Mr Clay said last night: "Given that a national ballot now seems inevitable, I urge all the health unions to call off strike action while a representative vote takes place."

This plea is likely to get short shrift from union leaders who say pressure for action is arising spontaneously at local level.

Mr Hector Mackenzie: warning Mrs Thatcher

However, there were two signs yesterday that the TUC unions were trying to get a tighter grip on events as some nurses at Goldie Leigh Hospital, south London, voted to strike on the day of protest in the London area a week tomorrow.

First, Mr Norman Willis, TUC general secretary, called health union leaders to Congress House to discuss developments. In a statement issued afterwards, he emphasised "the importance of all health service unions acting together."

The TUC is likely later this week to draw up plans for a big demonstration in London over the NHS.

Second, leaders of ambulance officers in the National Union of Public Employees called on their branches to defer a ballot of members on joining next week's nurses' protest. Nupe said all attention should focus on the nurses.

Mr Hector MacKenzie, general secretary of the Cohse health workers' union and the nurses' leading negotiator, said yesterday that Mrs Thatcher alone had the ability "to stop what is happening in the country at the moment."

After presenting the unions' case to the review body, Mr MacKenzie said: "If she sees the nurses' leaders and assures us that the review body's award will be fully funded, then I think a lot of the heat would be taken out of the situation."

Scargill win sparks fear for future of new pit plan

BY CHARLES LEADBEATER AND MAURICE SAMUELSON

BRITISH COAL is to consider scrapping its plan to develop a £90m drift mine at Margam, South Wales, in the wake of Mr Arthur Scargill's re-election as the National Union of Mineworkers' president.

A key part of Mr Scargill's manifesto said the union should oppose the introduction of six-day production, which the corporation has insisted would be essential to make the mine profitable.

With world coal prices forced down in the past year by the fall in the dollar, six-day production is regarded by management as more vital than ever to ensure a profitable return on capital.

The future of the project, which would employ about 800 miners, is expected to be decided within the next few days.

The plan for the mine, which is intended to replace imports of coking coal to the steel industry, has been approved in principle by the Department of Energy, and local planning authorities. Details of its planned management structure are almost complete and the corporation is ready to invite bids from tunnelling contractors.

While Mr Scargill yesterday called on the NUM's national executive committee to unite and fight British Coal's policies, a re-think over Margam would almost certainly fuel his disagreements with miners' leaders in South Wales.

Their willingness earlier this year to consider the introduction of six-day production, led to a bitter dispute with Mr Scargill, which abated only after the union's annual conference voted to oppose flexible working. Since then area leaders have broken off negotiations with the corporation over the project.

Plans to scrap Margam, combined with doubts over whether the corporation will develop Thorne colliery in Yorkshire, and pits in the North-east of England unless the union agrees to consider flexible shifts, are both likely to intensify calls for the union to reconsider its position.

But there would be strong opposition from Mr Scargill, who declared his victory an emphatic defeat for so-called "new realists" within the union. He said: "A majority of miners agree with my campaign policies: opposition to six-day working and pit closures, for better wages and conditions and no merger with the breakaway UDM."

Mr Scargill rejected suggestions that his victory with 54 per cent of the vote masked deep misgivings over his policies and left him with his authority diminished. He said his majority was the third best ever achieved in an NUM national election.

Editorial comment, Page 20

Union leaders predict little impact from vote

BY JIMMY BURNS, LABOUR STAFF

SENIOR union leaders yesterday predicted that the results of the NUM's presidential elections could cause problems for Mr Scargill within his union, but would otherwise have little impact on the wider trade union movement.

Left and right-wing union leaders agreed that, given the outcome of the 1984-85 miners' strike, the practical implications for the unions of Mr Scargill's re-election look limited.

Mr Bill Jordan, president of the Amalgamated Engineering Union said: "It will certainly affect the next year in the mining industry and I would have thought that the (NUM) membership has fired at least a 46 per cent salvo across the bows.

Mr Rodney Bickerstaffe, general secretary of Nupe, the public employees' union, described Mr Scargill as a man who was unlikely to "trim his sails" simply because he had emerged with a smaller majority. But he suggested that an "interesting" test of whether Mr Scargill would be able to assert his personal authority would come with the reaction of the NUM's executive committee.

He said: "Anyone who tries to read into his re-election a destabilisation of the general council, of the TUC, or the trade union movement is pushing things a bit too far."

According to Mr John Edmonds, general secretary of the GMB general union, Mr Scargill was already "isolated on a number of major issues" within the TUC, so the situation was not going to change greatly.

Only a few union leaders such as Mr Alan Tuffin, general secretary of the Union of Communication Workers, and Mrs Brenda Dean, of the print union Sogat, reacted cautiously to the NUM election, arguing simply that in any democracy, victory by a majority is a victory.

One of the few public statements of unqualified support came from Mr Ron Todd, general secretary of the TGWU transport union.

Claiming himself "mystified" by media coverage of the election and its results – an apparent reference to alleged bias – Mr Todd declared himself "personally pleased" that Mr Scargill had won.

He said: "Bearing in mind the media campaign, Arthur Scargill has clearly won a resounding victory."

How one area's result swamped Walsh's gains

REGIONAL voting figures for the NUM presidency show clearly how Mr Scargill secured his re-election, writes our Labour Editor.

Though Mr Walsh won the backing of more NUM areas – 10 to Mr Scargill's nine – the big areas, and especially Yorkshire, largely went Mr Scargill's way.

NUM members mostly voted in line with the internal political position of their NUM constituent areas. In right-wing Leicestershire, for instance, Mr Walsh polled 83 per cent, while in left-wing Derbyshire, Mr Scargill polled 90.5 per cent.

Inevitably, the vote of the Yorkshire area – the NUM's largest, and a third of its total – was crucial, with the sheer number of votes for Mr Scargill swamping Mr Walsh's gains elsewhere.

Of equal significance, however, was the fact that in the South Wales and Scotland areas whose leaders have led the opposition to Mr Scargill, members voted for him by substantial majorities – effectively securing his victory.

Smaller airlines to have routes protected

BY LYNTON MCLAIN

THE CIVIL Aviation Authority is to give a "perceptible measure of preference to airlines other than British Airways where a choice has to be made between British airlines" on the licensing of routes because of the "disparities in size which now exist within the UK industry."

The preferential treatment for smaller airlines was outlined by the CAA in new policy proposals for air transport licensing published yesterday.

It comes in the wake of the takeover by British Airways of British Caledonian Airways. The takeover and other developments required a "fundamental review" of CAA policies on licensing, the authority said.

The new policies are intended to counter the might of the enlarged British Airways, in the interests of greater customer choice and the promotion of competition. Changes are in draft form and remain subject to consultation with UK airlines.

Mr Ray Colegate, the director of economic regulation at the CAA, said yesterday that the main change proposed in the revised air transport licensing policy placed emphasis on benefits for airline users and less emphasis on the fate of airlines. "We will intervene only where we see anti-competitive behaviour," he said.

The authority still fears that the size of BA could lead to anti-competitive behaviour, at the expense of smaller UK airlines.

These concerns were first expressed by the CAA in its review of civil aviation policy in July 1984 ahead of the privatisation of BA last year. But CAA's recommendations for a transfer of BA routes to smaller UK airlines, including BCal, before BA was privatised were ignored by the Government.

BA came to the stock market intact, accounting for over 80 per cent of UK airline output on scheduled services.

"The acquisition of BCal has made it less likely that BA will face competition from a rival UK airline offering an integrated network of domestic, European and intercontinental services," the CAA said.

The revised statement on air transport licensing policies said "the authority will use its licencing powers to create and maintain an environment in which competition between British carriers and with foreign airlines can flourish and user choice is enhanced".

UK NEWS – PARLIAMENT AND POLITICS

Livingstone suspended over attack

BY IVOR OWEN

A DEFIANT Mr Ken Livingstone (Lab, Brent East) was suspended from the Commons last night for alleging that Sir Patrick Mayhew, the Attorney General, had "reduced himself and the office he holds to the level of an accomplice to murder".

He repeatedly refused to withdraw the charge, made after the Attorney General had announced that no prosecutions were to be instituted against members of the Royal Ulster Constabulary for seeking to pervert the course of justice.

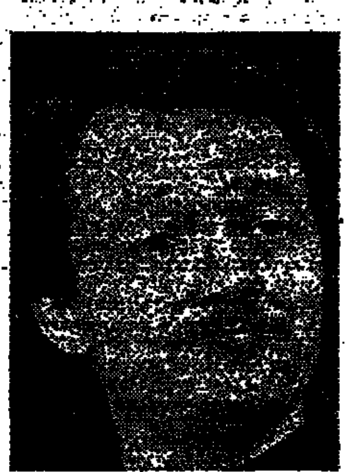
Mr Livingstone ignored three separate appeals from the Speaker (Mr Bernard Weatherill) to rephrase his criticism of Sir Patrick in a manner which complied with the rules of the House.

He insisted that if the rules prevented him from denouncing "this cover-up" they were wrong and he would not be bound by them.

A motion to suspend Mr Livingstone was carried by 166 votes to 19 and he withdrew from the Chamber. his suspension will last five days.

There were shouts of "cover-up" from the Labour benches immediately Sir Patrick stressed his agreement with the decision by Sir Barry Shaw, Director of Public Prosecutions for Northern Ireland, that it would not be in the public interest for the officers concerned to stand trial.

The Attorney General disclosed that the inquiry initiated by Mr John Stalker, the former deputy Chief Constable of Manchester, into allegations that certain anti-terrorist operations of the RUC amounted to a "shoot-to-kill policy" had uncovered errors in statements of evidence submitted for consideration by Sir Barry.



Ken Livingstone: Ignored three appeals by the Speaker

Patrick Mayhew: alleged to be 'accomplice to murder'

In some instances "material and important facts had been omitted" and some matters which were untrue and misleading in important respects had been included.

The Attorney General admitted to the "deepest anxiety" in concurring with the decision not to prosecute. He explained that in the context of Northern Ireland the public interest involved national security and considerations affecting "the safety of people's lives".

He said: "In judging the public interest I, and any other prosecuting authority, have to balance one harm to the public interest against another harm to the public interest." The Attorney General's insistence that the decision not to prosecute (a decision in which he fully concurred) had been taken by the Director of Public Prosecutions for Northern Ireland was disputed by Labour MPs.

Mr Kevin McNamara, the shadow Northern Ireland Secretary, said the Opposition fully supported the Director, but was concerned by the role of the Attorney General -"and the pressures" he had brought to bear.

Mr Simon Hughes (Lib, Southwark and Bermondsey) emphasised that, but for considerations of national security, the RUC officers concerned would have been prosecuted, and, if convicted, received severe prison sentences.

He joined with other MPs on both sides of the House in pressing for an early statement on the disciplinary proceedings to be instituted by the RUC. The Attorney General confirmed that the minister responsible for this aspect, Mr Tom King, the Northern Ireland Secretary, intended to make an early statement.

Mr Merlyn Rees, a former Labour Northern Ireland Secretary, underlined his confidence in the Director of Public Prosecutions for Northern Ireland, and urged that the statement to be made by Mr King should deal with suggestions that things had "gone wrong" between the security services and the RUC on the border with the Irish Republic.

While it was not in the national interest to reveal things which put people's lives at risk, he said, it was not in the national interest "to cover up when something went wrong".

Mr Seamus Mallon (SDLP, Newry and Armagh) protested that justice had been "dispensed with to cover up the murky and illegal activities of MI5 and MI6 and the darker elements within the RUC".

Sir Patrick emphasised that he would have preferred the evidence relating to attempts to pervert the course of justice to have been tested in a court of law, but in the circumstances he had described to have done so would not have been in conformity with the public interest.

THE Irish government reacted angrily to the announcement by the Attorney General that no prosecutions would be launched based on evidence contained the the Stalker report, wries our Dublin Correspondent.

"The Irish Government is deeply dismayed at the decision and concerned at the implications it has for public confidence in the administration of justice in Northern Ireland" said a spokesman.

Tories step up drive for Ilea abolition

By Peter Riddell, Political Editor

LEADERS of the Conservative backbench campaign for the abolition of the Inner London Education Authority believe they are knocking on an open door and have the sympathy of senior ministers.

The current Education Bill, now going through a Commons standing committee, proposes that individual boroughs should have the right to opt out of Ilea and that the authority should be abolished if eight or more of the dozen boroughs exercise the right to opt out.

However, a campaign headed by two former ministers, Mr Michael Heseltine and Mr Norman Tebbit, seeking to abolish Ilea outright was launched before Christmas and yesterday a motion with more than 100 signatories was published on the Commons order paper.

The motion expresses a preference for the outright abolition of Ilea to a piecemeal contraction and calls on the Education Secretary to announce an early date for abolition.

The backers of the motion include virtually all the Conservative MPs for London constituencies as well as the party's main education specialists.

The Government does not have to take a view for some time since the relevant clause is at the end of the bill. The official line is that Mr Baker will listen to representations and there are no present plans to change the bill.

However, the leading backers of the motion believe they have the support of senior ministers and that Mr Baker will accept their proposal,

Last night the Labour Party warned the Government it risked legal action over a decision by Mr Baker to speak at a meeting called to promote the break-up of Ilea.

Mr Jack Straw, Labour's education spokesman, said his decision was "bizarre and improper." The private Conservative Party meeting at Wandsworth was about plans for the borough to take over control of its schools from Ilea.

Mr Baker has told Mr Straw by letter that had "misunderstood" his purpose in attending the meeting. "There are no proposals to opt out of Ilea before me,

Owen claims backing for move to defeat merger with Liberals

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

DR DAVID OWEN, the former Social Democratic Party leader, yesterday claimed he had sufficient support to defeat plans for a merger with the Liberals, although he reiterated his pledge not to do so at next weekend's crucial SDP conference in Sheffield.

His remarks came on the seventh anniversary of the Limehouse Declaration – which paved the way for the creation of the SDP – and on a day of mounting efforts within the party intended to rally support to both sides of the merger issue.

Tomorrow, Mr Robert Maclennan, the SDP leader, will step up his efforts to win backing for the merger in a speech which is expected to reiterate his belief that the issues which the initial, joint leaders' policy statement attempted to address, will still have to be tackled after the merger.

Dr Owen told students at the London School of Economics that over 20,000 people had now pledged their support for the continuing SDP. He continued: "That is no rump, no splinter group, no faction, no fan club, but the solid basis on which the SDP can continue in March with confidence."

Invoking the original spirit of the SDP, Dr Owen said he believed the Limehouse Declaration, together with the party's constitution, would provide the framework within which the majority of Social Democrats would continue to work for political reform and realignment.

He regretted that the divisive merger debate had split the party but said the SDP could not afford to spend time looking over its shoulder at what he pointedly referred to as "the Liberals".

In attacking the recent debacle on the redrawing of the proposed new party's policy statement, he said those who remained behind after merger did not believe that policies and principles had to be enduring. They could not be drawn up on one day, to be replaced by other policies a few days later.

Speaking earlier on BBC radio, he said he was coming under mounting pressure to urge his supporters to block Sunday's merger vote, which requires a two-thirds majority. But he emphasised that he was going to Sheffield "to talk to those staying in the SDP".

He added: "Everybody is urging me to vote it down and to rally the blocking mechanism, which I undoubtedly could do."

Last night, in a counter-move, exactly half the voting members on the SDP national committee issued a statement designed to dismiss recent claims that the Owen camp enjoyed majority support on the committee.

The statement, which recommended the proposed merger package, said that Liberals had sent the clearest possible signal to the SDP that they wanted to unite in an attempt to break up the old, class-based parties and secure a realignment of British politics.

It called on the party to "show the same self-confidence and vision" as the Liberals, which they could do by voting overwhelmingly for the creation of the new party. The entire national committee will meet on the eve of the Sheffield conference but – given the split within its ranks – it is not expected to make any last-minute recommendation to members.

Mr Maclennan's speech at a parliamentary press gallery lunch will restate the case for merger and emphasise that the new party will have to reinforce its radicalism if it is to appeal to the electorate.

At the weekend, Mr Maclennan is also likely to defend his ill-fated visit to see Dr Owen, immediately after the successful completion of the merger negotiations, as a necessary attempt to unite the party behind the merger proposals.

Mr John Cartwright, the SDP MP for Woolwich who supports Dr Owen, yesterday repeated his call for an electoral agreement between the new party and the SDP. Otherwise, he said, the two parties' political opponents would prove to be the only beneficiaries.

Last weekend, Mr David Steel, the Liberal leader, said the new party would want to fight throughout the country in elections but he left room for electoral alliances by saying the decisions would, ultimately, be made at local constituency level.

Treasury 'obfuscation' alleged

BY TOM LYNCH

MR LEON BRITTAN, a former Conservative Chief Secretary to the Treasury, yesterday accused his old department of "obfuscation" in last week's Public Spending White Paper to disguise a cut in regional assistance.

Mr Brittan told MPs the white paper had put the figures for general and regional industrial assistance together and combined them over a three-year period. "These are tricks I learned at the Treasury," he said. "The right hand has not lost its cunning."

He said the important figure was how the total expenditure on regional assistance after the ending of automatic regional development grants would compare with current spending. He said the 1987-88 expected outturn of £478 for England, Scotland and Wales would rise during the two-year phasing out of RDG but decline to £470m in 1990-91.

Mr Brittan told Mr Kenneth Clarke, the Trade and Industry Minister: "If you want people in the regions to believe the changes are genuinely designed to replace one kind of help with another and not to save money, you must go back to the Treasury and say that the new policy does need a change in the figures at least to the level now being spent on regional assistance in real terms."

In a strong attack on the Regional Development Grants (Termination) Bill, which abolishes RDG, Mr Brittan, a former Trade and Industry Secretary, questioned Mr Clarke's argument that change was needed because RDG money was being spent on some projects which would have gone ahead without it.

He said the hoped-for Budget tax cuts and the tax breaks in the Business Expansion Scheme were designed to increase incentives, but did not depend on every beneficiary proving that he or she was going to do something they would otherwise have left undone.

Parkinson warns Scargill over strikes

BY IVOR OWEN

IF Mr Arthur Scargill's re-election as president of the National Union of Mineworkers results in a return to strikes and industrial action, it could lead to another accelerated pit closure programme, Mr Cecil Parkinson, the Energy Secretary, warned in the Commons yesterday.

He highlighted the slump in the fortunes of the NUM by recalling that when Mr Scargill first became its leader, on a progamme of preserving jobs and stopping closures, he was supported by 70 per cent or an electorate of 200,000.

Mr Parkinson said Mr Scargill was re-elected on Sunday by 54 per cent of an electorate of 80,000. "That is the measure of the damage he has managed to do and the failure of his previous policies."

He also claimed that Mr Scargill would have been "defeated soundly" if the 26,000 members he had driven out of the NUM into a rival union had been able to participate in the ballot.

Mr Parkinson accused the NUM president of using the union to promote his political views rather than the welfare of its members.

"Until he puts politics second and the industry first, the industry will continue to decline," Mr Parkinson said.

Mr Alex Eadie, a Labour spokesman and a member of the NUM, defended Mr Scargill and said there were many MPs who would settle for 53 per cent of the vote in an election.

To derisive laughter from the government benches, he called on Mr Parkinson to meet Mr Scargill "and put on the agenda conciliation and not confrontation."

Mr Parkinson retorted that his predecessor as Energy Secretary, Mr Peter Walker, had only persuaded Mr Scargill to come to see him on one occasion.

Insisting that Mr Scargill should "do his talking to the chairman of British Coal," the Energy Secretary said the industry should not be the political battle ground the NUM president was seeking to make it.

How to hear home truths

John Hunt on the launch of the "Labour Listens" consultation campaign

A CLANGING fire alarm went off accidentally as the "Labour Listens" campaign meeting started at the Brighton Conference Centre yesterday. But after the chastening experience of three successive general election defeats the people's party is not as combustible as it was.

The gentle strains of Vivaldi coming from the sound system seemed more appropriate to this first gathering of the Labour Party policy consultation process which will be taking place all over the country.

Not that the 100 people at the meeting were a representative cross-section. Most seemed to be party workers or committed Labour supporters with only a sprinkling of outsiders. Nevertheless the *apparatchiks* from Labour headquarters had done their best and invited a galaxy of organisations including the Captive Animals Protection Society, the Centre for Independent Living and the Brighton Jazz Club.

The proposed agenda mentioned seven policy areas but, strangely enough, omitted a reference to unemployment. It also studiously avoided that dreaded word, "socialist".

However, Mr Fred Nettley of the Brighton Labour Party staunchly declared: "My colour is red and I am proud to stand up and say I am a Socialist. I think the Labour Party should do the same."

The audience was on the whole polite and restrained with only the occasional Clause Four fundamentalist getting out of hand and preaching the old faith. Health, education and the poll tax seemed to be the dominant concerns with the economy and employment taken briefly at the end.

The amiable Miss Joan Lestor, Labour's shadow Overseas Development Minister, was in the chair with Mr Roy Hattersley, the party's deputy leader, and Mr Frank Dobson, the shadow Leader of the House, and campaign organiser, fielding questions.

Looking up at this magisterial trio on a raised platform, one questioner deferentially referred to them as "the bench" before hastily correcting himself.

"We are here in the south because we are acutely conscious that for far too long Labour and the south of England have not understood each other," announced Mr Hattersley.

This mutual incomprehension was underlined by Mrs Audrey Simpson, from the local chamber of commerce, who is a former Labour supporter. "You are listening but people are not talking to you," she told the Labour trio. According to her, most of those present were clearly left of centre but as Joan Lestor protested: "We can't force people to come."

They had, for instance, invited the Institute of Directors which had declined on the grounds that it was not a political organisation – a claim which provoked scornful laughter from the audience.

When you ask people what they think of you there are bound to be some brutal home truths. One man told the panel: "For heaven's sake stop the infighting. The Tory Government is being fuelled by poor opposition."

When the discussion turned to the economy there was a succinct contribution from Mr Ray Allen, representing the TUC's south-east region. He argued that the party had fallen into an electoral trap by believing in the simplistic proposition of the north-south divide.

As a result, it had lost the support of affluent workers in the north and of unemployed workers in impoverished pockets in the south.

As time ran out one man, who had been bobbing up and down throughout the session, began a long diatribe about socialism and state control. "I have a manuscript here from which some of these ideas are taken," he cried enthusiastically.

But at this point Miss Lestor firmly brought the proceedings to a close. Mr Hattersley declared himself well satisfied and predicted that the "Brighton pattern" would be repeated at further meetings all over the country.

Golden share assurance

THE Government still intends to use its "golden share" to prevent control of Britoil passing into other hands, Mr Cecil Parkinson, the Energy Secretary, confirmed in theCommons yesterday.

Challenged by Mr Tam Dalyell (Lab, Linlithgow), he explained that the golden share was in the hands of the Treasury Solicitor and would be used if any of the bidders sought to get control of Britoil.

In a written reply to Mr Dale Campbell-Savours (Lab, Workington), Mr Francis Maude, Undersecretary for industry, stated that the Kuwait Investment Office holding in BP was being considered under the merger control procedures by the Director General of Fair Trading.

Japanese bearings plant likely to be built in UK

BY NICK GARNETT

MINEBEA, THE Japanese bearings and diversified engineering component-maker, is planning to build a bearings plant in Europe and says it will almost certainly be in the UK.

Last month the company bought Rose Bearings, a British spherical and rod bearing-maker with plants in Lincolnshire at Saxilby and Skegness.

Mr Ryusuke Mizukami, Minebea general manager for corporate planning, said the plant could be commissioned within three years, perhaps this year.

It would be designed to make miniature bearings. Minebea is the world's largest miniature-bearing maker.

Anti-dumping duties have been imposed on several Japanese bearings companies importing to the European Community, including Minebea.

However, Mr Mizukami said the decisions to build a miniature-bearings plant and to buy Rose Bearings were part of Minebea's plan to increase its European market share and to service Japanese production sites in Europe which buy its bearings.

Two other Japanese bearing makers produce in Europe, NSK, at Peterlee, Durham, and NTN, at Mettmann, near Dusseldorf.

Acquisition of Rose Bearings from APV for £9m and Minebea's plant announcement will raise competitive pressures in the European market.

Mr Mizukami said Minebea wanted to use Rose Bearings to become the largest supplier of spherical and rod bearings in Europe, a position held by SKF of Sweden.

The purchase gave Minebea more of the aerospace market, a main client of Rose Bearings.

The aim was to expand output at Rose, which employs 210 people. Mr Mizukami said more than half the Skegness floorspace was empty. It could be used to make more spherical bearings or to introduce miniature ball-bearings.

None the less, Minebea needed to build a completely new plant to make miniature bearings.

Japanese equipment makers had asked Minebea when it would start making miniature bearings in Europe.

Minebea imports all its miniature bearings to the EC from its plants in Thailand. It says they are not subject to anti-dumping duties, which apply only to bearings from its Singapore plants.

Main European miniature-bearings suppliers are GRW in West Germany, ADR, SKF's French subsidiary, and RMB of Switzerland.

US computer company for Plymouth

BY ANTHONY MORETON

PREMIER COMPUTER Corporation is to set up a European base in Plymouth, the second US company to invest in the city in the past month.

Matrix, a leading software concern, announced in December that it had chosen the Devon city for an assault on the European market.

Premier, of Boston, claims to be the largest disk-drive repairer in the US. It is investing about £5.5m in a plant that will employ 180 people.

Mr Ivor Simpson, director of the Devon and Cornwall Development Bureau, said Premier's decision represented "the biggest brand-new start-up in the region by an overseas company for five years." It had been crucial for the company to have a suitable building.

AIDS cost 'may strain resources of NHS'

By Peter Marsh

THE 3,000 people in Britain likely to be diagnosed in 1988 as suffering from AIDS will cost the National Health Service £81m this year alone, a report warns today.

The cost, which covers not only hospitalisation but the provision of home care and other services, is the same as that needed to provide hospital treatment for roughly 120,000 non-AIDS patients suffering from acute disease. It does not include the cost of treatment for people who have already been diagnosed as having AIDS.

The report, from the Office of Health Economics, an organisation funded by the UK pharmaceutical industry, says AIDS "could have very serious resource implications for a health service that is already experiencing severe financial pressures."

Deaths from AIDS are steadily increasing, the study points out, with about 60 per cent of all UK mortality due to the disease occurring last year.

Up to the end of November, the UK had recorded 1,170 cases of AIDS, 665 of which were deaths.

AIDS fatalities in 1987 were responsible for roughly one death in 30 for men aged between 25 and 44.

If deaths from injuries and poisoning are excluded, so that the analysis accounts only for deaths from natural causes, the toll rises to about one in 20.

Assuming that the mean age at death from the disease is 35 years, then current annual fatalities of about 400 can be estimated to account for 12,000 lost years of potential male working life.

The report gives a warning that by 1990, assuming the disease progresses along the lines of the past few years, AIDS may lead to more deaths among young men than lung cancer, suicides and road accidents.

According to the study, efforts to fight the disease through medications are riddled with uncertainties. The AIDS virus, formally called human immunodeficiency virus (HIV), might change through mutation, to make it either easier or more difficult to infect people.

Attempts to find AIDS vaccines will be very difficult, the report says. "Any suggestion. . . that advances in this area can be expected within the next few years. . . should be treated with reserve."

HIV and AIDS in the United Kingdom. Office of Health Economics, 12 Whitehall, London SW1A 2DY. 50p.

Morgan reshuffle puts accent on youth

BY DAVID LASCELLES, BANKING EDITOR

MORGAN GRENFELL, the merchant banking group, has reshaped its management to pass more day-to-day responsibility to younger staff and free senior directors to concentrate on business strategy and clients. Four group directors will be leaving.

The changes, announced yesterday, were devised by Mr John Craven, the chief executive who took over last May with the task of restoring Morgan after its traumatic involvement in the Guinness affair.

Sir Peter Carey, the chairman, said the changes had "been done with the full approval of the board, and will put Morgan on a growth path for the 1990s".

The main changes include the appointment of a deputy chief executive, Mr Michael Dobson, and the designation of a management committee consisting of 11 people with line responsibility for the group's principal businesses. It includes the heads of Morgan's operations in the US and Japan, signalling the importance it attaches to those markets.

Corporate finance will be represented by Mr Guy Dawson, who becomes head of department, replacing Mr Richard Webb, who has been made a group board director.

Mr Christopher Whittington, formerly the chief operating officer, is to become deputy chairman of the group.

The four group directors who are leaving are Mr Blaise Hardman, Mr Jon Perry, Mr Charles Rawlinson and Sir John Sparrow. Their departure will leave the board evenly balanced between executive and non-executive directors, a move Sir Peter said would give it added strength.

Mr Craven said the changes would shift management to the next generation of Morgan executives who are in their 30s and early 40s. The average age of the management committee will be 41. He said he had decided that more wide-ranging structural changes to the Morgan Group were not necessary, partly because the present structure suited Morgan's main activities, and partly because the present separation of divisions, such as asset management, corporate finance and equity distribution, was good for competitive reasons.

"This will create a more international and outward-looking Morgan Grenfell," he said.

Mr Craven said last year's market crash had shown the importance of having a balanced group. Although the group shed 14 people last month, he said there was no plan for mass redundancies.

Appointments, Page 12. Observer, Page 18

John Craven: management shifted to next generation

Poll tax 'would hit city poor'

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

A DETAILED study of the effects of the proposed community charge, carried out in Manchester, shows that the hardest hit would be the poorest people in the inner city, living in properties that at present have low ratable values.

Large families, particularly those from ethnic minorities in inner urban wards, would suffer most from the change from the system of rates. The population movement of 45,000 people into or out of Manchester each year would make universal collection difficult, with the effect of making everyone else pay more. The estimated annual *shortfall in collection is* £2.72m.

The study, published yesterday, is by Manchester's town clerk, city treasurer and city planning officer. It shows that the main determinants of winners or losers are the number of adults in a household and the property's present ratable value. Although the city's 153,000 households are split almost evenly between winners and losers, two thirds of Manchester's citizens live in the "losing" half, so that only one third of people will actually pay less.

Most of those live in the suburbs, with the biggest benefits going to increasingly small groups of people.

Greater Manchester has the largest concentration of higher education campuses in Europe and 16,200 students live in the *city itself. The report* says that all of them will be worse off, together with the unemployed, the elderly and the low paid.

Immigrant families – already concentrated in poorer areas of the city and in less attractive housing – will suffer because they tend to have more children. Families whose head of household was originally from Pakistan comprise 2.68 adults per household against UK natives' 1.9.

Although 90 per cent of single-person households will gain, about 5,500 single-person households will be worse off, most of them among the poorest members of society, such as pensioners. Two thirds of two-adult households will fare worse, and 93 per cent of households containing three or more adults.

On administration, the three officers say Manchester's constant population changes involve 45,000 people a year. Consequently, at best only 97 per cent of the population is thought to be on the register in mid-year.

Shortages 'put house prices up'

By Andrew Taylor

A GROWING shortage of housing is forcing up prices in rural and semi-suburban areas and affecting the Government's traditional supporters, Mr Alan Cherry, newly elected president of the House-Builders Federation said yesterday.

Mr Cherry, chairman and managing director of Countryside Properties, said failure to release enough building land was the prime cause of shortages and high prices in the south-east.

"In these areas, where house prices have risen beyond the reach of many people in work, the Government will soon face a crisis. That crisis will, unlike the inner cities, affect its own political supporters and their children," said Mr Cherry.

Studies showed that up to 35 per cent of people with jobs could no longer afford to buy their own home in parts of the south-east, he said. The price of housing land had risen by 25 per cent a year for the last three years and could cost up to £1m an acre in areas of highest demand.

"Whatever planners and politicians may wish, we must remember that the population in all parts of the country has moved away from the major cities for the last 40 years," Mr Cherry said.

People who complained about development in rural areas often also complained that their children could find nowhere to live near to their work or to their parents.

However, the industry had to accept that plans to restrict house building in the south-east had the support of MPs, councillors and the electorate, most of whom were already housed.

House builders, said Mr Cherry, had to show that they were capable of planting woods, providing homes for wildlife and could make a contribution to the environment.

McDonald's factory for Scunthorpe

A MEAT processing plant to supply the McDonald's hamburger chain is to be built at Skippingdale, near Scunthorpe.

The factory will cost McKey Food Services about £4.5m and will employ about 100 people. It should be completed during next year.

SIB approves insurance body

BY ERIC SHORT

THE INSURANCE Brokers Registration Council has received interim recognition from the Securities and Investments Board as a Recognised Professional Body under the 1986 Financial Services Act.

The act is expected to come into operation in April. When it does, no person dealing, arranging or advising in investments can do so unless authorised.

The council's RPB status means it will be able to grant authorisation to those members seeking it by this means, and fulfilling the right conditions.

The council was set up to register insurance brokers under the 1977 Insurance Broking (Registration) Act.

Most insurance brokers transact both general and life business and life business is classified as investment business under the 1986 act. So those brokers will need authorisation.

Where life business is an important activity, those brokers will seek registration from one of the main routes for authorisation – usually from Fimbra (Financial Intermediaries, Managers and Brokers Regulatory Association).

But where it is a minor part of the business, the firm can seek authorisation from the council.

The conditions are:

● The investment advice and/or arranged transactions related only to long-term insurance and/or unit trust schemes.

● They do not handle clients' money.

● Brokerage earned from such business does not exceed 25 per cent of total income.

Some 1,400 names have already applied for authorisation and the council expects a substantial number of further applications ahead of the deadline for authorisation.

Reorganisation at Lloyds

By Peter Montagnon, World Trade Editor

LLOYDS BANK is to streamline its trade finance activities into a single group, headed by Mr Michael Riding, who was previously based in Tokyo, responsible for the bank's business in Asia.

Until now, the bank's trade finance activities have been operated on a geographical basis, drawing on different sections of its international division. The reorganisation means they will come under one centralised trade finance group.

Included in the group will be the Lloyds Export and Project Finance, previously a subsidiary of its merchant bank, as well as its specialised barter and countertrade operation. These will continue to be headed by Mr Robert Prince and Mr Alan Linger respectively.

Upbeat mood increases in Welsh companies

BY ANTHONY MORETON, WELSH CORRESPONDENT

INCREASED BUSINESS confidence in Wales and a better rate of profitability are reported by companies in the principality, according to the latest business survey from the Institute of Directors.

Its half-yearly survey of the economy, undertaken by the Cardiff Business School, shows a strong rise in confidence over the past year which appears to have been unaffected by last October's stock market crash.

That conclusion is likely to be confirmed today by the Confederation of British Industry's quarterly survey, which will show that companies in Wales are turning in better results than those in the rest of the UK.

Presenting the institute's survey in Cardiff yesterday, Mr Meirion Lewis, Welsh director, said the rise in the number of companies reporting a growth in the volume of business – four out of every five – was "particularly encouraging."

He said some skill shortages had emerged, particularly around Cardiff and Swansea, especially in engineering, the professions and technical fields such as computing.

However, just over half the companies expected to take on more labour during the next 12 months.

While most of them were optimistic about the outlook, there was some concern over the level of profitability and cash flow.

It was still felt that the climate for business was improving and showed every sign of continuing to do so.

Wales tourist move vetoed

By Our Welsh Correspondent

THE GOVERNMENT has turned down the proposal that the Wales Tourist Board should conform with Scotland and have more control over presenting the principality in overseas marketing.

The suggestion was made last year by the report of a select committee of MPs and was strongly opposed by the British Tourist Authority, which co-ordinates presentation of the UK overseas.

Pressure by Mr Peter Walker, Secretary of State for Wales, on the BTA has, however, led the authority to put aside £70,000 for distinctively Welsh promotions.

The BTA has also agreed to put up a further £94,000 for specific Welsh promotions providing the tourist trade in Wales itself contributes £220,000.

Japan moves in softly on the gilts market

Simon Holberton and Stephan Wagstyl examine developments in government securities trading

THE JAPANESE are a cautious people. They are averse to conflict, prefer anonymity and just like to get down to business with minimum fuss and maximum diligence.

This softly, softly approach to commercial and business affairs has made them successful in most things they have chosen to tackle.

It is a characteristic fully displayed in preliminaries to the entry of Nomura Securities and Daiwa Securities to the UK gilt-edged securities market, leading some to wonder just what effect they will have on the market.

The British subsidiaries of both companies applied for authorisation to deal in the primary gilts market at the end of last October. Since then they have received and completed a lengthy questionnaire from the Bank of England and had informal meetings with Bank regulators.

The Tokyo Stock Exchange's decision last month to admit four British securities companies removed a potential obstacle to entry of the Japanese. In the absence of any other applicants it seems likely that both companies will be authorised to begin operations within a month or so.

Both houses are keen to be seen not doing anything which might upset the gilt market's operation. It is unlikely that either will swoop on an established British or US house and poach a whole team of gilts specialists. The Bank would not like that and no one wants to offend the Bank.

They have, however, engaged in some quiet recruitment. Nomura recently engaged two of Hoare Govett's gilts trading team; Daiwa picked up a gilts settlement team from the ashes of Hill Samuel Wood Mackenzie; this week Mr John Rickards, formerly of Samuel Montagu, officially starts as head of Nomura's gilts operation.

Making a market in gilt-edged securities is not one of life's most profitable endeavours. There are 24 primary dealers who have collectively committed about £600m in capital. No figures are published but it is thought profits are meagre and returns on capital almost non-existent.

However, the Japanese have never been motivated by quick profits. Their desire to enter the UK market is partly a matter of corporate pride – they do have global ambitions – but mostly to do with customer service.

Mr Alex Monnas, a Daiwa executive director, says: "The most compelling reason for us to enter an overbroked and overtraded market is because we have a retail base interested in gilts from time to time.

"Their interest is likely to grow faster if we promote it. Our retail base is continuing its quest to find places to put its money, places outside yen and dollar-denominated securities."

There is clearly a demand for gilts from Japanese fund managers. Last week Garban Gilts, one of the six authorised inter-dealer brokers, decided to open an office in Tokyo, which indicates that there is a demand to trade gilts actively and pointing to the possibility that a significant secondary market in UK government bonds will evolve in Tokyo.

The Japanese have already become substantial investors in gilts. The best guess is that they own between about 3 per cent and 6 per cent of the market, or gilts worth between £3.75bn and £7.5bn.

A guess is all it is, because of the lack of reliable data on capital flows between Japan and the UK and the beneficial ownership of UK government securities.

Some analysts suggest that there is a capability for the Japanese to have up to £10bn invested in gilts in five years' time. That is on the basis of portfolio weightings in bonds, extrapolating that to reflect the UK's importance in government bond markets in the world.

The figure would be higher if cash flows into the Japanese life-assurance and pension-fund sectors were invested on such a basis and newly deregulated institutions opted to put part of their funds into gilts.

If that is the potential, no one seriously expects to see that level of Japanese capital flowing into the gilts market.

Japanese investors doubt the gilt market's liquidity and its ability to withstand large sales and purchases of stock without upsetting price levels too seriously.

As a Nomura official in Tokyo said: "The question is not how much [money] Japanese institutions have available for investment in the gilts market but how much the gilts market can take."

The Japanese investor will also have to be educated in the market's ways. He is familiar with the US Treasury bond market but markets in Europe appear small and localised.

Existing UK securities houses that service Japanese clients do so mainly by sending them their London-based research, perhaps partly translated but otherwise the same as their domestic, European and American clients receive. Nomura and Daiwa believe research needs to be tailored to specific Japanese needs.

Daiwa and Nomura are therefore unlikely in the initial phase of their start-up to target the big UK institutions for business, although they hope through time to develop relationships with large investors in London.

Clearly, however, they are likely to take business away from those UK primary dealers who have made an impression in Tokyo, if only because Japanese institutions having long-standing business relationships with local brokers will prefer to deal with them.

Science parks

Broadening the Riviera base

Charles Batchelor on the role of Sophia Antipolis, in the south of France

IT IS 8.30 am and the thin winter sun is starting to burn the mist off the pines as a group converges on a hillside cafe behind Nice. Once a month the Cafe de Sophia hosts the breakfast meeting for executives of the companies which have established themselves on Sophia Antipolis, France's first science park.

Over coffee and a croissant, Pierre Laffitte, a former director of the venerable School of Mining in Paris and prime mover behind Sophia Antipolis, reviews 1987 and outlines plans for the year ahead.

Intriguingly, for a man who has done so much to attract large international corporations to the Cote d'Azur, Laffitte devotes much of his time to small business issues.

Could the American idea of "business angels" – private individuals prepared to back new companies – be brought to France? How can the future of small engineering subcontractors be secured? How can small companies in France use European Community resources to break into foreign markets?

For some of his audience these issues are only of indirect concern. Companies such as Air France, Digital Equipment Corporation (DEC), IBM, Dow Chemical and pharmaceuticals group Wellcome, all located in the park, face rather different problems.

But as Sophia Antipolis matures – its first company moved in in 1974 – smaller businesses have been developing profitable niches among the big corporations.

"I'm more convinced now that small businesses have a future alongside the big companies," Laffitte says after the meeting. "We needed the big companies in the beginning but we are now at the stage of small companies being spun off from the larger ones."

There are now 200 small companies in Sophia Antipolis alongside 160 larger corporations. The park's tenants now range from one-man businesses to DEC, the largest, with 700 employees. Companies in the park employ a total of 7,000 people.

Sophia Antipolis is part of an ambitious effort by the Cote d'Azur and towns such as Nice to broaden the French Riviera's economic base away from tourism and the perfume industry.

By the mid-1980s these policies had succeeded in pushing revenues from industry, science and technology above those of tourism and conferences.

Despite this progress, the region continues to be dogged by its lotus-eating reputation. "The Midi will always have that image," concedes Jacques Medecin, mayor of Nice. "But I've never heard a managing director say he wasn't satisfied with the local labour force."

Craig S. Harvey, an American former export manager, chose Sophia Antipolis for two reasons when setting up a company making smart cards in April 1986 – plastic cards incorporating an electronic chip. First, France was a leader in this technology

(also, though, Harvey's wife is French), and, second, because he could find the computer programmers and engineers he needed locally.

Harvey and his team of 13 at Telemediacartes are now working on projects such as a conference card, which allows a conference visitor to scan a video screen for messages left for him and to file questions to an electronic mailbox up to 48 hours after the end of a conference.

Telemediacartes writes its own software but it uses a local network of hardware and software companies to supply some of its needs. It is currently ahead of its projections and expects to be in profit in 18 months, says Harvey.

Mirwan Kahil, 36, already worked at Sophia Antipolis, for Dow Chemical, when he decided to set up on his own. After 10 years working around the world in a variety of management jobs for Dow, Lebanese-born Kahil decided he did not want to move again.

His company, Gourmets sans Frontieres, and its five staff now supply catering services to many of the large companies on Sophia Antipolis which lack their own dining room.

"When I was at Dow I would be in a meeting with no time to go out to eat," Kahil recalls. "Unlike the US, in France you could not send out for something to eat. A lot of people had the same problem so I started delivering meals."

He has expanded by taking space in a local conference centre and companies from outside the park have begun coming in to hold their conferences. Turnover is currently FFr100,000 (£10,000) a month but he hopes to double that figure.

Neither Harvey nor Kahil are very impressed with the financial help available to companies in their position – though Harvey did receive funding from ANVAR, the French Agency for Applied Research, to develop some software. Both complain that both private and public providers of funding are unduly cautious or bureaucratic.

Despite the increasing popularity of Sophia Antipolis with small companies, formal provision to help them grow is limited. The park does have a small "incubator" but this houses just half a dozen small companies in subsidised premises. They are, however, given free professional advice, including the services of staff at the business school in the park.

Paul Hamburger was running a large local division of a French electronics group, Telemecanique, when, at the age of 40, he decided to set up his own consultancy in Sophia Antipolis. He feels that more should be done for the smaller company in the park and in the region generally. The park itself still thinks too much in terms of attracting the larger companies while regional aid is unduly bureaucratic, he complains.

Nevertheless, Technoption, the company Hamburger and a friend founded four years ago, has done well. It employs 25 people; turnover is expected to rise to FFr9m this year from FFr6m last.

The region is attempting to increase the facilities available to small companies. The city of Nice plans to open an incubator this year to house about 30 small firms and part of a large business centre being built near the town's airport will be split into units suitable for the smaller company.

Following the passing in 1982 of a law which devolved more power to the regions, an economic development agency for the French Riviera, Cote d'Azur Development, was set up. Its main role is to persuade outsiders to move to the Riviera – it helped Telemediacartes establish itself – but it has been involved in setting up the incubator unit.

The Riviera has made impressive progress to diversify its economy. But like other regions in Europe which have attempted to attract inward investment, it remains vulnerable to head office decisions taken hundreds or thousands of miles away. Some of those regions now see promoting home-grown small business as a way of creating stability. For the Riviera that process is just starting.

Previous articles in this series were published on December 8, 15 and 29 and January 12.

Where roses are blooming

SERGE GUDIN (right) selects a vase of roses and checks the date tag. "These have stayed fresh for 20 days since we cut them," he says, replacing them on a table among decidedly tired-looking specimens.

Gudin, a graduate student at the University of Nice, is on a three-year assignment at Meilland, a family-owned company based near Antibes. He combines work on his doctoral thesis on the reproduction of roses with Meilland's attempts to extend the vase-life of its blooms.

Gudin and Meilland have come together as part of a French government scheme known as CIFRE, which seeks to bring research expertise to French companies, give graduates industrial working experience and provide openings for university laboratories to gain industrial contracts.

The Government meets half of the minimum wage to which the student would be entitled and the company pays the rest. Though the CIFRE programme is open to companies of all sizes, the government two years ago made a point of re-orienting it to small companies, which face particular problems in funding research.

Meilland is a long-established company – founded in 1870 – which claims to have created one in three of the roses sold worldwide.

Despite this pre-eminence it is still a small company with turnover of some FFr100m (£10m) and 130 employees.

Until Gudin joined, Meilland did not have a fully developed research programme. He now heads a team of four researchers who have all joined since his arrival and the company is carrying out more fundamental research than was previously possible.

"The problem for the small firm is to be innovative while at the same time lacking the means of funding research," says Jacqueline Mechali, administrative chief of research at Nice University. "The academic laboratories have the capacity and the student provides the link."

Gudin says he always wanted to combine academic research with working in industry. "I'm going to discuss my future with the company in a few days," he says. "I want to stay."

Tailored touch for two loans

BY CHARLES BATCHELOR

FURTHER proof of the keen competition between the banks for the small firm's business comes with the announcement of two more specially-tailored loan schemes.

Lloyds Bank has launched a Small Business Loan of between £1,000 and £15,000 available for up to five years at a fixed interest rate of 13 per cent (equivalent APR 13.8 per cent).

Monthly repayments are fixed and there is no penalty for early repayment but there is an arrangement fee of 1 per cent (though this will be waived for existing customers for the first three months of this year).

A feature of the loan is a certificate, valid for three months once the loan is agreed, which allows the small businessman to negotiate a good cash deal with his supplier, knowing the money is there when he needs it.

Customers who open a loan before the end of March may enter a free competition with 30 prizes of £1,000 worth of computer equipment or tuition on the way to use it.

For small businesses in country regions the Co-operative Bank has joined the four big clearers in offering a special loan scheme in conjunction with CoSIRA (the Council for Small Industries in Rural Areas).

The bank will make loans of £2,000 and upwards at preferential rate of 2.5 per cent over base rate to companies with 20 or fewer skilled workers in areas with a population of fewer than 10,000. Participants in the scheme will also receive 12 months of commission-free banking.

Loans may run for up to 20 years with the possibility of a two year repayment holiday. There is an arrangement fee of 0.5 per cent.

The VATman pays —on approval only

NO BUSINESS likes waiting for VAT repayments from HM Customs & Excise. It is particularly galling, then, to find that when repayments are late, the letter of British law can work against small traders – whatever Customs' own explanatory leaflets say.

David Franklin and his two fellow directors in D Franklin Ltd, an import-export and small manufacturing company employing ten people, are smarting over a run-in with the VATmen that proves this point.

Last August, the company was owed a VAT repayment of £14,119.40. An explanatory leaflet from Customs says that repayments are made within "an acceptable period". This is defined as 30 days, unless there are any outstanding matters or investigations that hold up the payment. Customs are liable to pay a penalty of 5 per cent of the amount due for any late repayments.

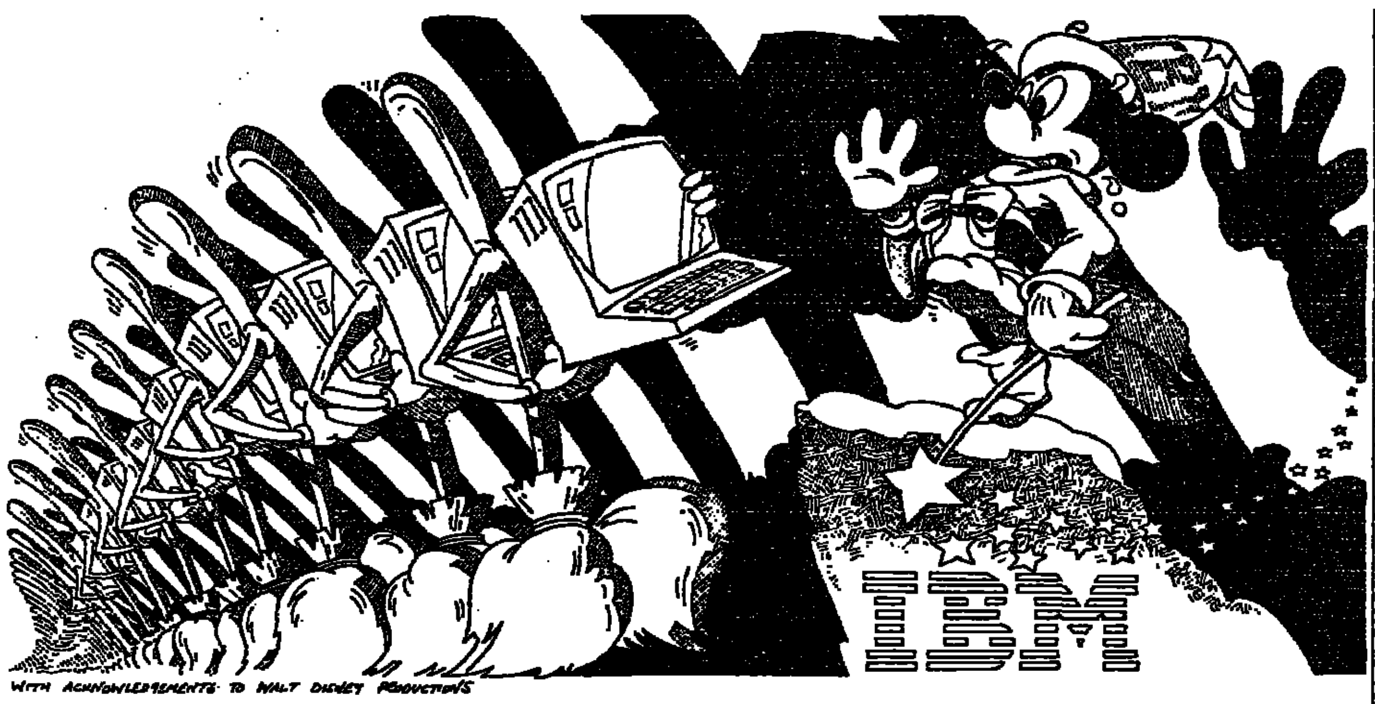
So when Franklin's repayment arrived 33 days late, the directors naturally expected to receive an extra £705.97 by way of penalty. They were wrong; after correspondence with the chairman of Customs and 10 Downing Street, Franklin was told that there would be no penalty. The letter of the law, it appeared, was not on his side.

The 30-day rule, enacted by section 20 of the 1985 Finance Act, applies not to when payment is received, but to when Customs approves payment. The two can be very different things, as Franklin points out.

The fact that 90 per cent of VAT repayments are made within two weeks is little consolation to him – or to the traders who are waiting for the other 10 per cent.

Richard Waters

TECHNOLOGY



WITH ACKNOWLEDGEMENTS TO WALT DISNEY PRODUCTIONS

Here come the 'clone killer' clones

IBM looks set to fight PS/2 copycats in the courts. Louise Kehoe reports

"CLONES" of IBM's newest Personal System/2 personal computers could appear as soon as April, according to a group of US companies that last week unveiled a set of components and software that mimic the key functions of the IBM machines. While the technical challenges of cloning the new IBM personal computers may have been overcome, however, there could be a number of legal hurdles ahead.

"Anybody that introduces a clone of the PS/2 is playing Russian Roulette with his company," warns Gervaise Davis, an attorney who specialises in high technology property rights issues.

He predicts a major legal battle with IBM for any company that tries to sell PS/2 compatible machines.

When they were first introduced last April, IBM's PS/2 computers were dubbed the "clone killers" because they contained proprietary chips, unlike IBM's first generation personal computers which were built using standard off-the-shelf components.

IBM was said to be determined to prevent a repetition of the way a proliferation of clones of its earlier models took a significant portion of the market.

Ever since the PS/2 was launch, however, several companies including Chips and Technologies of San Jose, California and Western Digital Corporation of Irvine, California, have been working feverishly to invent chips that emulate the functions of IBM's components.

At the same time, software companies such as Phoenix Technology have been devising their own versions of programs that control the inner workings of the computers. Both Western Digital and Chips and Technologies say they have now completed *development of chip sets that* are fully compatible with and even outperform IBM's equivalent components.

Now the pieces are in place, but the question is will any computer company have the nerve to use them? If they do, they run the risk of incurring the wrath of IBM and face the prospect of a fight with one of the most powerful legal forces in the world.

The chip makers reject talk of legal problems as "pure speculation".

"We are confident about our technology and about our legal position," says an official at Western Digital.

Both Western and Chips and Technologies say they have used what is called a "clean room" approach to designing their chips. This means that the designers do not have access to details of the IBM designs, but know only the specifications of the function that they are trying to create.

To determine those specifications, a separate group of engineers must take apart the IBM chips and "reverse engineer" them. This approach should afford the chip makers some protection from potential accusations of copying IBM chips.

So far, the "sleeping giant" has not been aroused. IBM has taken no action against *any of the semiconductor or* software companies.

IBM says, however, that it will "look at products and computers as they appear" to determine if its intellectual property rights have been infringed. IBM also stresses that it "has made a substantial investment in the development of the PS/2 computers" and that it "has absolutely no intention of licensing others to use its technology."

The biggest problem facing would-be makers of IBM PS/2 compatible computers and their chip suppliers is that nobody knows exactly which elements of IBM's computer design are patented. IBM is said to have filed dozens of patent applications in the US to protect the PS/2. But these will not be published until they are granted, and that will probably take a year or more.

Also unclear, because it depends upon how the patents were written, is whether a set of chips on its own infringes IBM's rights or whether a computer has to be assembled before legal problems arise. Any company that launches a PS/2 compatible computer runs the risk of having its product inventories frozen and withdrawn from the market while the courts decide upon the patent and copyright issues.

That could take months and cost millions of dollars, say US lawyers. In the meantime, IBM's competitors are moving in the dark, not knowing when and where they may run into legal problems.

IBM has offered little guidance. The chip makers should be extremely careful, says Davis. IBM, he warns, is always determined to protect its intellectual property rights.

"When it moves, it is like a bulldozer coming toward you!" he says, speaking of IBM's renowned legal power. "It will pitch three or four law firms...50 lawyers or so...with a multi-million dollar budget against some little company."

Sun rises on era of electronic marketing

By Alan Cane

SUN ALLIANCE, the UK's largest household insurer, has moved into the era of electronic marketing with an ambitious new information system aimed at its sales intermediaries, such as brokers and building societies.

It comprises networking facilities to link inexpensive personal computers on the desks of the insurance company's intermediaries with the Sun Alliance mainframe computer centre at Lennox Wood, West Sussex.

Such computer links are not unusual, but Sun Alliance believes it has taken a significant lead in the quality of the information available over the new network.

Named "On-Call", the system is said to be of particular help in processing mortgage applications because intermediaries will be able to track, on their personal computer screens, how far the application for a mortgage has progressed and spot potential delays.

Ryder Cowan, a technical specialist with Sun Alliance, says that such queries can generate huge traffic on the lending company's computer system. On-Call by-passes this problem through clever technology and smart business agreements.

Lending organisations – the National Home Loans Corporation and the Mortgage Corporation are the first – agree to download nightly mortgage details to the Sun Alliance computer.

Sun's system then creates a "shadow file", a copy of the lender's information, which can be examined over the On-Call network without putting any extra load on the lender's computer.

On-Call incorporates, in addition to mortgage tracking, quotations for mortgages and life proposals, automated processing of mortgage applications packaged by Sun Alliance, and a new business system to monitor the progress of life proposals through the automated underwriting network.

Commission statements are available *on-line and electronic mail is part of the system.*

WORTH WATCHING

Edited by Geoffrey Charlish

Slow MAP may miss the boat in Europe

THE LATEST Telematica report from Logica, the UK information systems house, suggests that if the standard for MAP (manufacturing automation protocol) does not soon stabilise, its European competitor, CNMA (communications network and manufacturing applications) may be adopted in applications outside North America. Telematica is a multi-client market information service covering Western European information technology markets.

MAP, originated within General Motors in the early 1980s, is computer communications software that enables manufacturing equipment from different manufacturers to work together over the same cable network. MAP has met with some opposition from people in the established network-providing industry, notably Ken Olsen, Digital Equipment Corporation's president. Olsen has described GM's pre-occupation with networks as "rather like me wanting to make cars."

CNMA was initiated by the European Commission as a competitor to MAP. It has the support of 13 major companies including British Aerospace, GEC, Siemens, Nixdorf, BMW and Olivetti. Both MAP and CNMA have the same objective, however, which is to get practical factory automation *networking into action* using standards now largely finalised by the International Standards Organisation.

UK opens doors to factory automation

NEARLY 100 UK companies have agreed to throw open their doors to any UK manufacturing industry executive who could benefit from their experience in flexible manufacturing systems, robotics, computer-aided design and several other areas of automation.

The programme, called Inside UK Manufacturing, is operated by IFS *(Conferences) of Bedford for the* UK Department of Trade and Industry. The visits are free to UK production people but are not available to academics, students, consultants or non-UK residents.

Visitors can see one or two companies in the same day or can spend two days looking at three or four sites, with an overnight stop. A brochure, describing what the companies can show and giving the dates of the visits, is available from IFS.

Soft spot for faulty motors

INSPECTORATE UK of London in Norfolk has developed software that enables induction motor faults, or incipient faults, to be detected while the motor is running.

Called Motormonitor, the software runs on IBM and Hewlett Packard personal computers, and no special experience is needed to operate it. The user simply enters data about the type of motor and after analysis of the current in one of the motor's windings the program makes one of 26 possible recommendations.

These range from "running OK" to "remove from service immediately".

US given a better view of production

MACHINE VISION, in which a video image is examined by complex digital circuits to recognise shapes or patterns and make decisions on production lines, has been taken a step further by US company Cognex of Needham, Massachusetts.

The company has designed an application-specific integrated circuit (ASIC) that carries out a number of processes in machine vision which would otherwise call for nearly 100 off-the-shelf chips. It also does its job at three times the speed and about a tenth of the cost of the equivalent conventional circuits of Cognex's current machine vision products.

The company will incorporate the chip into its next generation of systems and will also be making it available to other system manufacturers. Advantages are higher *performance, lower* cost and more compact equipment.

Kodak adds colour to a policeman's lot

POLICE forces, estate agents and picture libraries are among those that could benefit from Edicon, a Kodak system which allows quick reference to large numbers of colour photographs and the information associated with them.

The police for example, could do away with the "mug shot" picture books shown to witnesses of crimes, where officers have to decide which group of pictures to show.

With Edicon, personal descriptions of the criminals are recorded with the photographs. Then, if the witness can remember a few facial features like blue eyes, greying hair and glasses, the computer will bring up only suspects with those characteristics.

Each picture can be made to fill half the screen, the other half showing text describing the person. Alternatively, a "gallery" of two dozen or so faces can fill the screen. In both cases, the picture quality is high because IBM's new enhanced graphics adaptor is used.

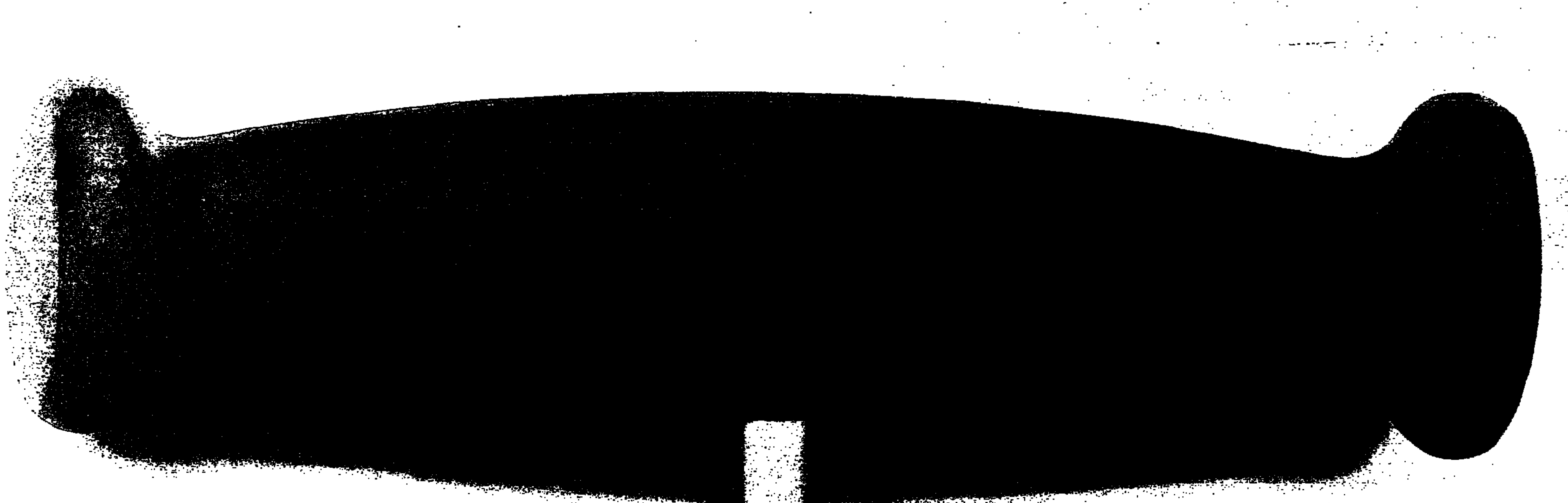
Large estate agencies can use Edicon to show property buyers interior and exterior views of houses. In photo libraries, a very quick revue of what prints are in stock on a particular subject can be screened.

A complete Edicon system with the software, video camera, colour printer, IBM AT personal computer and magnetic storage that holds 3,300 images, costs £30,000 to £35,000, depending on the software complexity.

A typical system, however, would probably consist of one such master station and a number of display-only stations, which cost less and can be remotely located with phone line picture transmission if necessary.

Optical storage can be provided for 145,000 images on a single disc. Multiple disc "juke box" systems are available for very large installations.

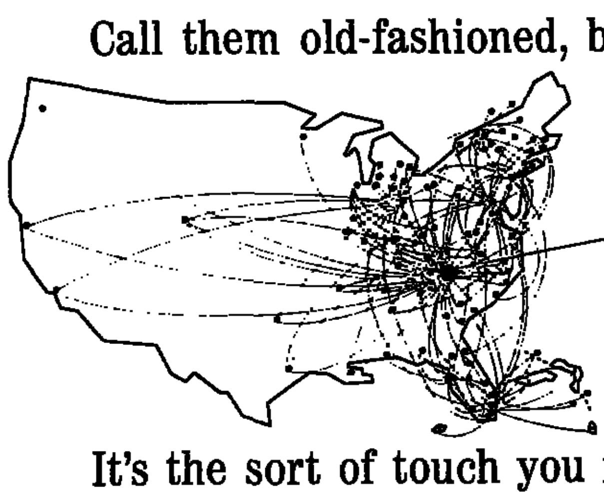
CONTACTS: Logica: London, 637 9111. IFS (Conferences): UK, 0234 853605. Inspectorate: UK, 0508 28474. Cognex Corporation: US, (617) 449 5030. Kodak: UK office, Business Imaging Systems, 0442 61122.



Can any other business class boast such sophisticated equipment?

Like tea in bags or coffee in granules, many people have never fully got to grips with the concept of wine in screw-top bottles.

Call them old-fashioned, but neither have the people at Piedmont.



Fly Piedmont's Business Class transatlantic and, once chosen, your wine is opened as it should be: at your seat with a corkscrew.

It's the sort of touch you might expect from an airline which hails from one of America's southern States.

Cliché it may be, but that good ol' southern hospitality is the same in a pressurised cabin high above the Atlantic as it is in a log cabin deep in the Blue Ridge Mountains.

The same goes for southern cooking.

Start with the delicious Chesapeake Bay Prawn Satay.

Try Braised Duckling Grand Chartreuse to follow. (The Pilaf Rice with peppers is particularly sympathique.)

And round it off with a fresh fruit dessert or cheese and coffee. Or, if you must, both.

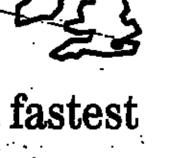
It's a six-course, à la carte meal and, in all but name, a first class service, right down to the fresh flower in a crystal vase on every table.

And it's typical of an airline whose name has become synonymous with service in the States.

In 1985, it walked away with Air Transport World's prestigious Airline of the Year Award (won in the past by such as Swissair and Lufthansa, won since by BA).

Every year since 1979 our independently monitored record of passenger complaints has been the best or second best in the business.

And such is the loyalty Piedmont inspires that when an influential US business magazine asked its readers to name their favourite US airline, Piedmont came runner-up without even being on the survey.



Little wonder then that Piedmont is America's fastest growing major airline, carrying more than 25 million passengers in 1987. (Compared to British Airways' 19 million.)

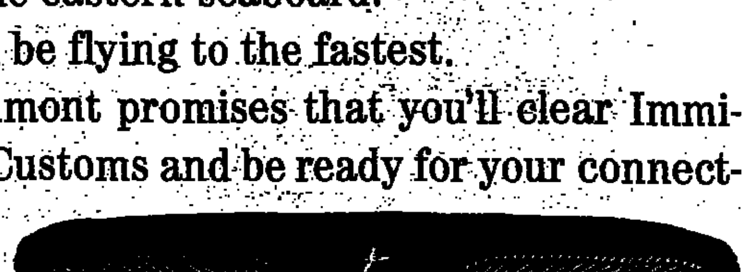
And that Charlotte, its main hub, has become a major US airport, handling 290 Piedmont departures daily to 58 US cities, including the 16 largest.

For transatlantic passengers, this means two things.

First, you'll be flying to the most central, the most convenient gateway on the eastern seaboard.

And second, you'll be flying to the fastest.

At Charlotte, Piedmont promises that you'll clear Immigration, Baggage Reclaim, Customs and be ready for your connecting flight inside an hour.



On the ground and in the air, flying Piedmont from Gatwick to Charlotte/Tampa is the civilised way to the States. PIEDMONT

FOR FURTHER INFORMATION CONTACT: RESERVATIONS: TEL: NO: 0800-777-333, OR CALL YOUR TRAVEL AGENT.

Business Opportunities

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

UK Master Franchise

Krogab

An Excellent Opportunity to Develop a Successful Scandinavian Beverage System

We have been retained by Krogab International to seek a UK Master Franchisee. Krogab operates one of the fastest growing beverage systems in Europe, handling over 30 million cups of coffee per year in Scandinavia alone.

Krogab successfully operates in Sweden, Norway and Finland and has recently appointed a Master Franchisee in Canada.

The potential market in the UK is enormous. We are seeking an organisation capable of developing this potential through the franchising format. Therefore applicants should have an understanding of the franchise system and preferably be in a food/catering related industry.

If you would like to be considered, please write giving a brief description of your organisation, including size and type of business.

In return we will supply financial projections and other detailed information to genuinely interested parties.

Please write to: David Acheson, Stoy Hayward Franchising Services, 8 Baker Street, London W1M 1DA.

All correspondence will be treated as Confidential.

Stoy Hayward Franchising Services

A member of Horwath & Horwath International

BUSINESS OPPORTUNITY

Oil & Gas Properties in the U.S.A. For more information contact Mr. Muccelli: Belgium: 322/647. 05.67 or USA: PO Box 160 Albany, KY. 42602 Tel: 606-387-6538 Sat - Sun OK.

MORTGAGES

On Commercial & Industrial Properties at Prime Rates 5/10 yrs Interest Only Minimum Loan £250,000

HIRSCH

Europe's Leading Finance Consultants

Please apply to: HIRSCH (INT'L) FINANCIAL SERVICES Ltd. 15, Berkeley Street, London W1 Tel: 01-629 5051 Fax: 499 6019

UK PACKAGING COMPANY

Is interested in association with a Plastics Manufacturing Company. Particularly interested in Company with own manufacturing facilities for injection or injection blow moulding of containers. Please reply to: Box F7897, Financial Times, 10 Cannon Street, London EC4P 4BY

100% CAPITAL ALLOWANCES 5,220 sq ft Unit

Zero Lane Value Salford Enterprise Zone

CHANCEL (0962) 353432

GROUP OF INVESTORS

With substantial funds available are looking to invest in Growth Businesses with good mangement. Applications by Principals only. Write Box F7898, Financial Times, 10 Cannon Street, London EC4P 4BY

TUTOR REQUIRED for crash course on elementary stock market trading and computer analysis. 01-387 1160.

SOUTHERN CALIFORNIA

New elite West L.A. Hotel - May 1988 Completion - 300+ Rooms - $67 Million L.A. Shop Centre Portfolio - Majors & Strips - $115 Million

THE PHILLIPS CO. William B. Anstad 30101 Agoura Road, Suite 200, Agoura Hills, California 91301 USA

Tel (818) 889 0010 Fax (818) 991 5794

Quality Giftware Manufacturers,

build your sales in Chicago area. Experienced manufacturers rep covers major gift shows, calls on gift shops and department stores florists throughout year. Send catalog and information to P.O. Box 83, Forest Park, IL 60130.

Businesses Wanted

NORTH WEST ENGLAND MANUFACTURING COMPANIES WANTED

1. Turnover £1m - £10m.
2. Own Product Range.
3. Well Established.

Cash Available

Replies, in writing, (including all relevant information), to: Box H3020, Financial Times, 10 Cannon Street, London EC4P 4BY

RUSSIAN BRANDY FOR SALE.

370,000 bottles of high quality brandy in a container for a quick buyer at US $925,000.

Contact Marko Lorentzen, tlx 122 394 dcs sf attn. Suomilaya, Helsinki.

DELIVERY/COLLECTION SERVICES COURIERS

We are a well established plc wishing to diversify into the business of delivery/collection services and couriers, principally within the London/Home Counties area.

We are looking to acquire companies whose existing activities are profitable, thereby able to demonstrate value within their asking price. Ideally, strong management structures are sought whose drive and ambition will continue to develop using improved group resources whilst maintaining a large degree of autonomy of control.

Replies will be dealt with in the strictest confidence.

Write Box H3021, Financial Times, 10 Cannon Street, London EC4P 4BY

Businesses Wanted

Transport Company Wanted

Substantial private London based Wholesale Distribution Company wishes to strengthen its existing transport operation by acquiring a Company, with good fleet and strong management team.

Please reply in strictest confidence to Box H3026, Financial Times, 10 Cannon Street, London EC4P 4BY

PACKAGING/PAPER MERCHANTS

Ambitious private company seeks to acquire southern based, profitable Paper/Packaging Merchants as part of its continuing expansion programme,

Please reply in strictest confidence to Box H3016, Financial Times, 10 Cannon Street, London EC4P 4BY

Actively Traded Listed Company

Wishes to acquire or merge with a company with at least a one year record to obtain immediate 3rd market status. Please apply to: Box H3008, Financial Times, 10 Cannon Street, London EC4P 4BY

INDUSTRIAL RUBBER PRODUCTS

Substantial and Successful PLC seeks to expand is interests in the Industrial Rubber/Polymer industry through appropriate acquisitions.

Write Box H3017, Financial Times, 10 Cannon Street, London EC4P 4BY

WANTED -

Company with tax losses dealing in sand and/or gravel.

Please write to Box H3014, Financial Times, 10 Cannon Street, London EC4P 4BY

PLC WANTED

We are a successful private company with considerable cash resources, specialising in the service sector.

We seek a public quoted company, USM or full listing, which would like to be part of a dynamic development.

Principals only please write in confidence to Box H0796, Financial Times, 10 Cannon Street, London EC4P 4BY

PRINTED CIRCUIT Board Manufacturer sought, £300k - 2m T/O, S. England. Write Box H3007, Financial Times, 10 Cannon Street, London EC4P 4BY.

A MAJOR PLC

With substantial cash resources is looking to acquire vehicle rental and contract hire companies.

Principles only please write in confidence to Box H2813, Financial Times, London, EC4P 4BY

BUSINESS Advertising

APPEARS EVERY TUESDAY AND SATURDAY

WANTED

Marquee Leasing or similar summertime leisure based industry preferably Lancashire, Cheshire, Yorkshire area.

Write Box H3004, Financial Times, 10 Cannon Street, London EC4P 4BY

ELECTRONIC DESIGN & MANUFACTURING

Private Manufacturing Company with strong export programme wishes to acquire companies involved in Manufacture and/or Design in the Electronics field. Outright purchase or controlling interest considered.

Write Box H3012, Financial Times, 10 Cannon Street, London EC4P 4BY

Central London

business wanted for overseas investor. Hotels, wine bars and restaurants preferred, but any good cash flow business considered. Up to £3 Million available. Replies in confidence to:-

Feemans London, 30 Dover Street, London W1X 4BX Tel: 01-499 2104

PLC

Looking to diversify wishes to acquire a merchanting Company with turnover between 100,000 to 2,000,000. Any trade considered. Would consider manufacturing Companies if operation could be run by merchanting.

Write Box H3006, Financial Times, 10 Cannon Street, London EC4P 4BY

Businesses For Sale

For Sale

By the Joint Administrative Receivers The Business and Assets of Lancepack Limited and Lancepack Manufacturing Limited in Administrative Receivership

The companies trade as contract packagers of food and pharmaceutical products with a combined turnover of £3 million per annum.

The companies plant includes a full range of form, fill and seal machinery trading from a new 60,000 sq.ft. D.H.S.S. licenced leasehold factory in an Enterprise Zone in Telford, Shropshire.

For further details please contact the Joint Administrative Receiver, R.G. Ellis.

Touche Ross

Blenheim House, Fitzalan Court, Newport Road, Cardiff CF2 1TS. Telephone: (0222) 481111. Fax (0222) 482615.

MEADOWSIDE LAUNDRIES LIMITED

C&L

An opportunity exists to acquire majority control in the above company and its wholly owned subsidiary IXL Laundry Limited.

The companies operate from freehold premises in Stockport (Meadowside) and Buxton (IXL) which are 25,000 square feet and 15,000 square feet respectively and include office accommodation.

The Stockport business is mainly textile rental on long term contracts in catering, hospitals, offices etc. The Buxton operation is a mixture of commercial and domestic.

el,3

There are some 135 employees of which 80 are located at Stockport.

The turnover in the year to 30 November 1987 was some £1.5m of which Stockport produced around £1m.

Offers are invited from parties interested in acquiring a majority shareholding who should in the first instance contact:

Coopers & Lybrand

Martyn Boddy
Coopers & Lybrand
St James's House
Charlotte Street
Manchester
M1 4DZ
Tel: 061 236 9841
Fax: 061 228 2664
Telex: 667257

For sale as a going concern

Ward and Scutt Limited

Ward and Scutt Systems Limited

Both in Receivership

- Designer and manufacturer of switchgear and motor control gear, and suppliers of micro processor based systems for industrial applications.
- Situated in the Manchester area with easy access to the motorway network and airport.
- Leasehold premises consisting of fully serviced workshops occupying an area of 60,000 sq.ft.
- Combined turnover £2.5m approximately.
- Highly skilled workforce and technical staff of long standing, servicing a blue chip customer base.
- Excellent order book in excess of £750,000.

For further details please contact **D. H. Slade, FCA, Arthur Young, Commercial Union House, Albert Square, Manchester, M2 6LP. Tel: 061-831 7854. Telex: 667947 AYMA.**

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Cambridge & London Publications PLC

Specialist Magazine Publishing House

The Administrator offers for sale the business and current titles of this Cambridge based publishing company including five specialist periodicals aimed at the property and agricultural markets.

The titles of the periodicals are:

- M11 Corridor Review
- Farm Development Review
- Farming For Profit
- Farm Animal Health Review
- Property Development Review

For further details please contact:
Mark Pallos, BSc ACA, Arthur Young, Compass House, 80 Newmarket Road, Cambridge CB5 8DZ. Telephone: 0223 461200. Telex: 817711 AYCB G. Fax: 0223 324609.

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

ABSOLUTELY UNIQUE

Unique opportunity to acquire delightful family residence, South East England with established Vintage Car Restoration business including stock of Vintage Cars: Rolls Royce, Bentley, Lagonda etc. Fully equipped Workshop, separate spray booth, body shop and showroom. Separate garaging plus enclosed yard for further vehicles. All with Light Industrial Permit Picturesque grounds, 2 acres. Price £525,000

Declared principals write Box H3010, Financial Times, 10 Cannon Street, London EC4P 4BY

WHOLESALERS OF FISH AND FROZEN FOODS TO CATERING TRADE

Annual Sales	£4m +
Annual Profit	£200K +
NAV	£600K +

Controlling Shareholder/Director retiring due to ill health.

Price Guide Circa £1.5m

Principals Only to Box H3005, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE

Berkshire estate agent established two years. Two offices good potential

Write Box H3025, Financial Times, 10 Cannon Street, London EC4P 4BY

Matchpride Caterers Ltd.

London Docklands

The Special Manager offers for sale the business and assets of Matchpride Caterers Limited (in liquidation) trading as Harry's Java Brasserie.

Turnover is approximately £9,500 per week, and assets for sale include a 28-year lease on fully fitted restaurant premises in London's Docklands area.

For further information please contact D L Morgan, Spicer & Oppenheim & Partners, 65 Crutched Friars, London EC3N 2NP. Telephone: 01-480 7766.

SPICER & OPPENHEIM & PARTNERS

A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

NORTON BRIDGE BOOKBINDERS

The Joint Administrative Receivers offer the business and assets of Norton Bridge Bookbinders Limited for sale as a going concern.

Principal features comprise:

* Modern leasehold premises in Letchworth – 26,000 sq.ft.
* Full range of specialist bookbinding plant and equipment
* *Annual turnover – £1.5 million*
* Skilled workforce – 50 people
* Sound customer base and reputation for high quality

For further information please contact the Joint Administrative Receivers: John Alexander or Phil Wallace

KPMG Peat Marwick McLintock

1 Puddle Dock, Blackfriars, London EC4V 3PD Telephone: (01) 236 8000 Telex 8811541

WELL ESTABLISHED CENTRAL LONDON

IATA Travel Agency invites representatives from similar agencies to consider consortium arrangement leading to wider client base with reduced overheads. Full/part sale to corporates considered.

Write to Box H3027, Financial Times, 10 Cannon Street, London EC4P 4BY

Good profitable

employment agency, situated in Sussex, further potential for development.

Box H3030, Financial Times, 10 Cannon Street, London EC4P 4BY

WINE COMPANY

for sale based in East Anglia. Established five years - T/O £115,000. Excellent contacts, Good Wine Guide entry, nationwide mail-order trade, at present run by part-time partners. Enormous potential for active full-timers. OIRO £20,000 + SAV.

Box H2992, Financial Times, 10 Cannon Street, London, EC4P 4BY

FOR SALE

Marble Importer & Distributor. North Midlands. T/O £2m. 1½ acre site. 17,000 sq ft. warehouse and modern office.

Write Box H3001, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE

WASTE TYRE PROCESSING PLANT

The plant and freehold property of Tyrolysis Limited designed and built to shred and convert 50,000 tonnes p.a. of waste tyres into oil, char and steel by means of the Pyrolysis Process.

For further details apply:

A.G. Pearce, Joint Receiver of Tyrolysis Limited, Ernst & Whinney, Windsor House, 3 Temple Row, Birmingham B2 5LA.

Ernst & Whinney

Accountants, Advisers, Consultants

LADIES UNDERWEAR MANUFACTURER

Leicester

Due to the impending retirement of the Managing Director the above company is offered for sale.

Principle features include:

* 150 full time personnel
* Annual turnover in excess of £3 million
* 2 factories with floor space totalling 60,000 sq. ft.
* Modern knitting and making up machinery

The products carry a high reputation for quality and are distributed to major stores, wholesalers and overseas customers.

For further information (name of principal must be disclosed) please apply in writing to: Ian Bowland.

KPMG Peat Marwick McLintock

Arlen House, Salisbury Road, Leicester LE1 7QS

TRAVEL AGENTS FOR SALE

Prime location in SW. London; Fully licensed. Principals need only reply to:

Box H2998, Financial Times, 10 Cannon Street, London EC4P 4BY

Old Established Heating

and Ventilation engineers situated in thriving East Midlands City. Substantial Blue Chip clients producing £¾ million + turnover, with ample scope for expansion. Owner retiring hence £69,000 + S.A.V. + Freehold premises.

Details Box H2999, Financial Times, 10 Cannon Street, London EC4P 4BY. Thank you.

Small Profitable Well Established

Insurance brokers mainly life London and Home Counties clientele for sale

Write Box H3024, Financial Times, 10 Cannon Street, London EC4P 4BY

PORTUGAL

Very modern vertically intergrated Textile Mill. Comprising, spining, weaving, printing, finishing and making up, For Sale. Situated in the North of Portugal.

Contact - P O Box 1255/4101 Porto Codex

Magazine and general printing

Salisbury based. Two and four colour machines. 31 employees. Turnover £1 million.

Contact the joint receiver Peter A Hall, Grant Thornton, 31 Carlton Crescent, Southampton, SO1 2EW. Tel: (0703) 221231.

Grant Thornton

CHARTERED ACCOUNTANTS

CHANNEL ISLANDS

Travel Agency For Sale. ABTA/IATA Licensed. Replies to Box H3022, Financial Times, 10 Cannon Street, London EC4P 4BY

GIFTSHOP FOR SALE Epsom, Surrey. Prominent High Street position. T/O £130,000 pa. Reply to Box H2997, Financial Times, 10 Cannon Street, London EC4P 4BY

MODERN KITCHEN FACTORY in South for sale. Secure lease. Good order book. Director retiring. Tel (04862) 62158

Businesses For Sale

Plant & Machinery

Business Services

Franchising

Office Equipment

Art Galleries

Personal

MANAGEMENT EDUCATION AND TRAINING

Publication date 22 March 1988
Copy Date 8 March 1988

The Financial Times proproses to publish this Survey on the above date.

A number of areas will be covered including:

* What is to be done about British Management?
* How do Managers actually think?
* How can "Intuitive" thinking be improved?
* How are leaders developed and teams built?

Please address all inquiries or suggestions concerned with the editorial content of this Survey to the Surveys Editor.

Advertising information can be obtained from Jacqueline Keegan Tel 01-248 8000 extension 3740 or contact your usual Financial Times representative.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Details of Financial Times Surveys are subject to change at the discretion of the Editor.

Company Notices

Société Nationale des Chemins de Fer Belges (S.N.C.B.)
Nationale Maatschappij der Belgische Spoorwegen (N.M.B.S.)

US$ 75,000,000 Floating Rate Notes due 1991
guaranteed by
The Kingdom of Belgium
(of which US$ 50,000,000 have been issued as an Initial Tranche)

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from January 25, 1988 to April 25, 1988 the Notes will carry an interest rate of 7⅜% p.a.

The interest *payable on the relevant interest payment date,* April 25, 1988 against coupon n°9 will be US$ 1,816.84 per Note of US$ 100,000 nominal and US$ 4,542.10 per Note of US$ 250,000 nominal.

The Agent Bank
KREDIETBANK
S.A. LUXEMBOURGEOISE

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN
NOMURA SECURITIES CO., LTD.

Further to our notice of October 7, 1987 EDR holders are informed that Nomura Securities has paid a dividend to holders of record September 30, 1987. The cash dividend payable is Yen 12.5 per Common Stock of Yen 50.00 per share. Pursuant to the terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 13 for payment to the undermentioned agents. Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after April 30, 1988.

Amounts payable in respect of current dividends:

Coupon No. 13 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	$98.56	$83.79	$78.86

Depositary:
Citibank, N.A.
336 Strand, London, WC2R 1HB

Agent:
Citicorp Investment Bank (Luxembourg) S.A.
16 Avenue Marie Therese

January 26, 1988

Notice of changes of conversion conditions to holders of 120,000 warrants to purchase savings shares of BNL (Banca Nazionale del Lavoro) issued by

EFIBANCA
Ente Finanziario Interbancario S.p.A

In accordance with the terms and conditions of the "Warrant Agency and Custody Agreement" dated 2nd April 1987 of the above mentioned issue, notice is hereby given by Morgan Guaranty Trust Company of New York, acting as warrant agent through its Brussels Office, *that, with effect from December 15th, 1987, the purchase right and the exercise price of the* warrant into BNL savings shares have been adjusted to reflect the decision made by the BNL shareholders at the meeting held on October 24th, 1987 to proceed to the distribution of one new bonus BNL saving share (dividend bearing as from November 1st 1987) for every five of the same class held. Effective December 16th 1987, each warrant will *consequently give the holder the right to subscribe to 54 BNL savings shares (previously 45* savings shares) at a price of ITL 24,525 (previously ITL 29,435) per share.

Until the next dividend payment, scheduled to be during May 1988 (date at which time the new pro rata bonus shares will automatically rank pari passu with the old ones) delivery of the exercise shares will be made by assignment of 45 old shares dividend bearing as from January 1st 1987 *and 9 new bonus shares.*

PACIFIC GROWTH FUND
Societe d'investissement a capital variable
2, boulevard Royal - Luxembourg
R.C. Luxembourg B-23332
DIVIDEND ANNOUNCEMENT

The Pacific Growth Fund will pay a dividend of $US. 0·15 on January 28, 1988 to registered shareholders at the close of business January 19, 1988 and shares will be traded ex-dividend after January 20 1988.

The dividend is payable to holders of bearer shares against presentation of coupon no.2 to

BANQUE INTERNATIONALE A LUXEMBOURG,
2, boulevard Royal
LUXEMBOURG

The Board of Directors

THE COMMISSIONERS OF THE STATE BANK OF VICTORIA
US$ 300,000,000 Guaranteed Floating Rate Notes due 1996

In accordance with the description of the Notes, notice is hereby given that for the *interest period January 25, 1988 to July* 25, 1988, the Notes will carry an *interest* rate of 7⅛% per annum.

The interest payable on the *relevant* Interest Payment Date, July 25, 1988 against coupon No 4 will be US$ 360.53 per Note of US$ 10,000 nominal and US$ 9,163.19 per Note of US$ 250,000 nominal.

THE AGENT BANK
KREDIETBANK
S.A LUXEMBOURGEOISE

BANQUE NATIONALE DE PARIS

USD 250,000,000 floating rate notes due 1997 applicable interest rate for the interest period from 21st January 88 up to 21st April 88 as determined by the reference agent is 7⅝ per cent per annum namely USD 1960.03 per bond of USD 100,000

Public Notices

IN THE MATTER of CREATIVE HOLDINGS LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 23rd day of February 1988, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned PATRICK WALTER JOHN HARTIGAN of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 19th day of January 1988.

IN THE MATTER of RAVEBEST LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 23rd day of February, 1988, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned PATRICK WALTER JOHN HARTIGAN of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 19th day of January 1988.

IN THE MATTER of [illegible] LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 23rd day of February 1988, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned PATRICK WALTER JOHN HARTIGAN of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 19th day of January 1988.

CLASSIFIED ADVERTISEMENT RATES

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Appointments	14.00	47.00
Commercial and Industrial Property	12.00	41.00
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Business Opportunities	14.00	48.00
Business for Sale/Wanted	13.00	44.00
Personal	10.00	34.00
Motor Cars, Travel	10.00	34.00
Contracts, Tenders	13.00	44.00

Premium positions available
£10 per Single Column cm extra (Min 30 cms)
All prices exclude VAT
For further details write to:
Classified Advertisement Manager
FINANCIAL TIMES, 10 CANNON STREET, LONDON EC4P 4BY

Clubs

ARTS

Tate in the North/William Packer

Renaissance on the Mersey

The ground floor gallery, with its original floor, cast-iron pillars and ceiling vaults

The Tate Gallery is always fair game, for there is no close season to interrupt the fun to allow the poor old thing to recover itself. Good to keep it on its toes, we say after an enjoyable visit.

Take, for example, its current project for expansion, to establish an annexe in Liverpool as "The Tate in The North." How transparently worthy and well-intentioned an enterprise it is, and how open to mockery and misrepresentation: it all smacks of the guilt-ridden early 1980s and the sleek South patronising the stricken North which surely wants nothing more than a major gallery of modern art of its own.

Liverpool, engaging, feckless Liverpool of all places, is naturally to be the first to benefit by this cultural munificence. And where better to put it all, in these conservation-minded, urban-renewing times, than in the Albert Dock, that handsome, derelict Victorian survivor of modern corporate redevelopment. That it also stands as a poignant and emphatic symbol of the Liverpool that was but will never be again, is perhaps a point tactfully to miss.

And who better to oversee the conversion of this key element in the burgeoning leisure and commercial complex of the planner's boutique dream than James Stirling, whose vision of the modern museum has been the architectural flavour of the decade. I must confess that I too, when I first heard of these great plans, was sceptical.

But the Tate, after all, is enjoined by statute to maintain on our behalf collections of modern British and international art that embrace both the best and most significant examples, which are not necessarily coincidental. That there should always be, in consequence, far more of the actual work in store than on show is not in the least degree scandalous, but merely inevitable. Any initiative that increases the practical opportunities for display is obviously to be welcomed.

As for the migration into the remote North-West, it is neither a perverse nor sentimental indulgence, and has little to do with politics but for the opportunity those politics afforded. The great cities of Britain may have their fine museums and civic galleries, but there has yet to be established in any of them, Edinburgh apart, a gallery that can take the larger major exhibitions that are commonplace in London, Paris, New York and so on. Again, any move to break such metropolitan monopoly is to be welcomed. Liverpool's Tate can hardly claim to serve half the country, but may well be placed to serve half the people.

And then there is the building itself, the block of Jesse Hartley's magnificent 1840s dock on the prime corner site that looks across the Mersey to Birkenhead and a few hundred yards along to the Liver and Cunard Buildings at the Pier Head. The whole complex is listed Grade I, and rightly so for it is unique in Europe, and a standing reproach to London for its rape of St Katherine's Dock, once its equal.

I saw it for the first time some two years ago when in all its sturdy dereliction and decay Mr Stirling's plans for its recovery were made known. Now, with the first phase of the project due to open to the public at the end of May, is the time to take another look.

That first view had certainly won me over to the building itself. Even then, for all the obvious smartening-up and trendification that was going on round about, perhaps because of it, one could see just how marvellous a place it was and sense the opportunity it represented if only its essential spirit could be retained, its solidity, scale and physical presence. Architect's drawings and impressions were there in plenty at that time, to explain and reassure, but still one could only imagine what was intended and fear what might be done.

It has now been dried out and had the old simple vaulted roof substantially replaced, certain floors removed to achieve a reasonable gallery height, the hanging walls faced and panelled to keep out the chill and further damp, and all the services of a modern museum put in. But the old cast-iron pillars remain undisguised, also the shallow interior ceiling vaults, and, where possible, the bare brick walls. It is still very much a building site but, with its first deadline fast approaching, the finished state of the initial phase is already clear.

Where there were five storeys above ground level, there are now only four, for the principal ground floor galleries have been given the double height, with a small mezzanine retained for shop, restaurant and offices. These and what are now the first floor galleries are to open in May and, with those on the second floor which follow in July, constitute phase one. The third floor is given over entirely to the necessary servicing of the building and the works of art, while the fourth, with its gallery, performance space and artists' studios, represents phase two with completion in 1991.

The declared policy is to deal only with the art of the 20th century, British and international. There is to be no permanent hang as such, nor any development of a collection peculiar to the Tate in the North. Instead there will be a programme of substantial long-term displays, based upon the collections of the Tate in London but augmented by loans as maybe and extended over a period of anything up to three years. The inaugural pair, occupying the large galleries on the ground floor, are given respectively to the Tate's large holding of the work of Mark Rothko and to Surrealism. The first in a programme of temporary shows will be a large loan exhibition of British Sculpture since 1965, which will occupy the considerable acreage of the first floor galleries until September. In July, to fill the second floor, comes a survey of British sculpture since 1918, another long-term display from the collections. And, whatever the weather, there is always the view across the Mersey to catch and console the eye.

It is indeed an exciting and intriguing prospect, with every probability after all of proving a great success. I hope and believe so, and wish the curator, Richard Francis, and his newly-recruited staff the best of luck.

London Sinfonietta/Festival Hall

David Murray

Few London music-lovers can be unaware that the London Sinfonietta is celebrating its twentieth anniversary – a crafty knack for publicity is, after all, one of its great and essential strengths. We should have been incomparably poorer without this band: without it, something else would no doubt have sprung up, but it's not easy to imagine how it could have been as good without simply *being* the Sinfonietta. Though its longer-standing members have been bulging out of their bright-hued shirts for some years now (the trimfit days are over), their eagerness to tackle new challenges and their virtuoso skills are intact; and if their programmes favour more venerable senior composers than they used to – their favourites have aged along with them – they still cultivate much younger ones.

On Sunday they celebrated by performing for hours and hours (partly because they have never quite solved the stage-regrouping problems that successive pieces for very different ensembles create). Besides two real premières and a newly enriched operatic suite from Hans Werner Henze, there were stagings of Ravel's *L'Heure espagnole* and the Brecht-Weill *Seven Deadly Sins*, and a great deal more. Too much to discuss: briefly, David Atherton conducted an exquisitely musical Webern op. 10, and three grandiose, overweening movements from Messiaen's *Des Canyons aux étoiles* (soloist Paul Crossley), and a fine Stravinsky *Agon* which sounded a bit soft-edged in this hall. So did the same composer's Ebony Concerto, under Simon Rattle with Michael Collins on clarinet; but they made a wonderful rave-up of Bernstein's Prelude, Fugue and Riffs, and fell happily upon some old Paul Whiteman arrangements too.

As a birthday present Harrison Birtwistle offered (instead of something else he'd hoped to finish) his new "Songs of Autumn" for soprano – the polished Sarah Leonard – and string quartet. Only six minutes long, but no apology was due for this beautifully-wrought study in melancholy: limpid, subtly inflected vocal line, with accompaniment of gentle, potent string-gestures patterned over long ostinati. Atherton conducted Simon Holt's gift, a *Ballad of the Black Sorrow* after Lorca, with six of the Sinfonietta Voices and a larger band. Its considerable dramatic scale is enhanced by cleverly varied use of the voices, and shored up by richly gritty orchestral sound – no fake primitivism, but sophisticated writing in hard earth-colours.

To the five "Piccoli concerti" drawn from his *English Cat* opera, Henze has added linking "ritornelli," primarily piano-reflections which not only make hidden connections explicit – composed "functional analyses" in the spirit of Hans Keller's – but expose some of the deeper links with Henze's avowed formal model, the "Diabelli" Variations of Beethoven. The additions are fascinating, and the original interludes retain their curiously pungent flavours. I still doubt whether the music conveys, when detached from the whole opera, more than half of its proper ambiguous sense; and also whether Rattle has a real taste for the kind of poisoned sweetness that Henze's music shares with Berg's.

Weill's more astringent irony suits Rattle very well, and musically *The Seven Deadly Sins* – bravely led by Elise Ross as the singing Anna – had a sharp bite. Christopher Alden staged it as vulgar black farce, however, with a plethora of what was called "simulated intercourse" in the '60s. A theatrical economy was achieved, and Brecht's point destroyed, by making Anna's smug bourgeois family a kinky bunch who served as her crude exploiters too: without a hypocritical distance between them, there's nothing left for the piece to be *about*. A plain concert performance not long ago, by much the same forces, did better justice to everybody concerned.

L'Heure espagnole in Michael Rennison's jocular production was a hearty rough sketch, though Ann Murray's heroine wore her frustrated voracity with style. Atherton dwelt appreciatively upon the tender undertones of Ravel's score, at some measurable cost to pace and to mock-rigid Hispanic poise: Ravel's priorities – and he was a thorough professional – would have been just the other way round. These occasional Sinfonietta charades rarely match their standards in straight music, and are not what we chiefly love them for.

★

The list of compact discs which was inadvertently left off David Murray's Record Review last Saturday will be printed in next Saturday's Arts page.

Orchestre de Paris/Barbican Hall

Paul Driver

The Orchestre de Paris and its musical director Daniel Barenboim paid a flying visit to London on Sunday afternoon, playing a high-minded programme in the Barbican Hall with a severe splendour. The orchestra is an admirable form – Barenboim has made it an instrument of power and sleekness, but more than that, he seems to have imbued it with a definite spiritual seriousness.

The main item was Bruckner's unfinished and vast ninth symphony, but instead of prefacing it with something modest and unstrenuous as one would expect, Barenboim offered Schoenberg's towering *Verklarte Nacht* tone-poem (in the string orchestral version of 1943), and what's more gave it an interpretation which unmistakably stressed the work's arguably Brucknerian character. It was a magnificent account: both streamlined and massively sonorous, full of telling detail (not a harmonic or pizzicato fleck went to waste), yet conceived on the loftiest scale. Tempi were predominately broad, pauses were thrillingly made much of and became great structural pivots, climax succeeded climax on a finely measured gradient, and by the end (but the work wonderfully seemed to last for ever) one's sense of psychological release was immense.

Technically the performance was faultless: the string body was impressively disciplined, always of one mind (Barenboim's), and with large quantities of luminous tone at its disposal. The rich acoustical effect was all the more satisfying for the positioning at the rear of the platform (not, as usually, to one side) of the double basses in a mighty row.

The panache of the string section was immediately noticeable in the symphony: the first violins feathered their opening phrases in a way that was purest Bruckner. This colossus of a first movement (it feels like a complete work in itself) was made to seem a totally convincing structure – it never tottered, and Barenboim showed a comparatively rare ability to combine maximum spaciousness with maximum cohesiveness in a Brucknerian interpretation. He evidently sees the point of Bruckner's aesthetic, and few people ever do.

There were many moments during the performance when the well-known resemblance between Bruckner's full orchestra and the timbres of a great organ was delightfully palpable. It was an authentic performance in every way. The scherzo and trio was a brief glistening before the colossus of a third movement – the famous Adagio – reared up, and was revealed in the noblest light.

My Fair Lady at The Palace, Manchester and Escape to Styal at Quarry Bank Mill

Martin Hoyle

Is it really 32 years since the premiere of Lerner and Loewe's record-breaking *Pygmalion* musical? In retrospect, there was something ominous in the original's emphasis on production values, notably Cecil Beaton's costumes, as if the age of Broadway's – and the West End's – reliance on extra-musical factors had already dawned. *Of* the British premiere, one brave (music) critic observed that Loewe's score was negligible; and compared with its contemporary, *West Side Story*, the music emerges as cunningly tailored pap and padding. But, as with the same authors' original – cinematic – *Gigi*, the songs work amazingly well in context, apt to character and situation.

Liz Robertson reminds us of this at Manchester's Opera House when she launches "Wouldn't it be luvverly?" This is reassuring, since Denis Quilley's Higgins has palpably failed to make the point with "Why can't the English?" while incidentally underlining the production's weakness. As his spoken asides rang increasingly stale and flat, it became clear that D'Oyly Carterie was afoot. Performance style has not so much crystallised as fossilised. *My Fair Lady*, in short, is being treated as a classic; and Lerner and Loewe, unlike G & S, simply lack the bounteous creative exuberance to shine through. The work is less a multi-faceted classic, fresh at each subsequent viewing, than an old family friend whose jokes are predictable, whose stories are over-familiar, who needs to get out of a rut if he is to be regarded with anything but affectionate tolerance for the sake of past glories.

Running until April, this is a real Manchester show, sponsored by the Manchester Evening News and supported by local commerce. In the circumstances it seems over-cautious to fall back on the 1979 West End production from the Cameron Mackintosh stable, though Adrian Vaux's designs provide neat sets and fine costumes. Peter Walker (director) and Jack Gunn (choreographer) put the cast through paces so familiar that they are cliches.

Mr Quilley provides a case in point. A beefy model for middle-age knitwear, without edge or abrasiveness or even scholarly absorption, he goes through the motions amiably, no more. And this philologist's own accent could repay a spot of analysis, especially when proffering his pupil a handkerchief "to waip her ays." Lower middle-class aspiring refinement? Odd, with a mother as elegantly stylish as Georgina Cookson makes Mrs Higgins.

Norman Rossington's Doolittle is a squally ebullient example of vitality, his face like a slab of boiled silverside, more a foreshortened demon king than a proletarian philosopher. As Freddy, Robert Meadmore combines a dry, white timbre with a rapid vibrato to produce a very French-sounding bleat. One almost expects "Ma belle Marguerite." It would be preferable to that over-conventional Broadway fodder, "On the street where you live." (The title remains one of the show's two jarring Americanisms; the other is Eliza's exhortation concerning an equine rump).

Liz Robertson's voice is warmer and fuller than Julie Andrews' cool purity. The tone may well coarsen, but interestingly, just right for torch songs. Despite an unconvincing cockney accent (this too is traditional in the role), she projects unmistakable quality, notably in "I could have danced all night." *My Fair Lady* by now needs all the star quality – in performance, packaging and presentation – that it can get.

★

A 20-minute train ride from Manchester and a stroll down a country lane between fields that last week were white with unexpected snow leads to Quarry Bank Mill, Styal, one of the original water-powered cotton mills, dating from 1784 when many of the machines were worked by apprentice children. A National Trust property, the Mill still functions as a show-case, and the Georgian Apprentice House, home to 100 children until 1847, is currently being restored.

For their 12-hour day, the children received keep and – a rarity – education on Sundays. They were the lucky ones, as the Lunchbox Theatre Company makes plain with its children's play, *Escape to Styal*. Professional players Christine Burn (who devised the piece) and Alan Pattison unfold dramatised documentary sketches directed by Ben Benison, whose pantomime production at the Shaw this season has been praised on these pages by Michael Coveney. Audiences of schoolchildren are clapped into cloth caps, breeches, petticoats and aprons (many made by the female inmates of HM Prison, Styal); called upon to work the spinning mule, trudging up and down; and offered a simulation of the apprentices' breakfast (porridge, onion and oatcake) which is received less gratefully than the generosity of Walkers Shortbread in donating 2,000 oatcakes deserves.

No punches are pulled; conditions were horrific. To paraphrase the Iron Duke, I don't know how this history lesson affects the children, but by God it frightens me. Morning and lunchtime performances continue this week, with Saturday's open to the public. Lunchbox is breaking even without addressing the Arts Council; next stop, Macclesfield in February with another well-researched glimpse of our industrial past: the silk trade.

Nash Ensemble/Wigmore Hall

Max Loppert

The Nash drew a full house for Saturday's concert, latest instalment in the "Paris 1867-1987" series. The formula is indeed a winner, as the programme demonstrated: chamber music by Saint-Saëns, Franck (the Piano Quintet), and Dutilleux, songs by Chausson and Duparc.

Nothing is "proved" by such a series, or such a compilation, but it is certainly enjoyable to be given juxtaposed evidence of the extreme fastidiousness and craftsmanly expertise of two French minor masters such as Saint-Saëns and Dutilleux. A century and an entirely different approach to musical idiom and style separate them. The bountiful quantity of the 19th century composer's chamber works provides an extreme contrast to the sparseness of the 20th century's. But in the elegance of formal cut, the no-nonsense approach to matters of timbre, I do not think it is too fanciful to perceive a link between the two – and a national one at that.

Dutilleux's *Trois Strophes on the Name of Paul Sacher*, written over the last decade for Rostropovich, is a solo cello tribute to the Swiss conductor and musical Maecenas. All the material comes from the musical alphabet form of Sacher's surname, and the variety of substance, detail, and sonority contrast that Dutilleux has found in it is, in its unassuming way, astonishing. Christopher van Kampen's way with the music is less assertive, less dramatic in contrasts than its commissioner's, but not less musicianly.

The Saint-Saëns work was the Septet for trumpet, string quintet, and piano, Op 61, a delightful and wholly characteristic combination of academic know-how (as in the finale's fugal stretta) and entertainer's knack. The wonderful unison tune for trumpet and strings in the middle of the minuet movement seemed to sum up the whole enterprise – half straight-faced, half-knowingly vulgar and totally cunning in *sound combination*.

It was played with evident enjoyment by the Nash forces, including Paul Archibald's excellent trumpet. Not all the ensemble's rediscoveries have been so lively.

In the centrally placed group of favourite Chausson and Duparc songs, the singer was Felicity Lott, the pianist Ian Brown. This was an occasion for admiring with open-mouthed wonder the soprano's endless supplies of breath, her ease in floating awkward high phrases, her light and delicate way with the French language, and, not least, her pure, melting tone. I cannot recall a live performance of Duparc's great "L'Inivtation au voyage" more heedless of its many moments of difficulty.

All that was missing was that indefinable quality, personality. Miss Lott is too distinguished an artist to be called bland, but her performances tend to leave a surpisingly small amount of memory residue behind.

Arts Guide

January 22-28

Opera and Ballet

PARIS

Paris Opera. Orphée aux Enfers is conducted by Lothar Zagrosek with Michel Senechal, tenor, dominating Jean-Louis Martinoty's production of Offenbach's joyous parody of Gluck. (47425750).

Carte Blanche (Opera Comique). A ballet performance leaving a free hand and a star role to the opera's painters and sculptors. (42960611).

Jean-Claude Gallotta (Théâtre de la Ville) with the group Emile Dubois Dance Cocteur Lmabus with Mexican undertones. (42742277).

Maguy Marin (Maison de la Culture). With the Lyons Opera Ballet an interpretation of Kurt Weill's and Bertold Brecht's The Seven Deadly Sins. Creteil. (42744422).

Georges Appaix (Théâtre de la Bastille). Appaix choreographs his Creation around musicians, dancers and old cinema seats. (42744422).

NEW YORK

Metropolitan Opera (Opera House). Nello Santi conducts Luisa Miller in Nathaniel Merrill's production with Silvia Mosca, Wolfgang Brendel and Paul Plishka. James Levine conducts Fabrizio Melano's production of Pelleas et Melisande with Frederica von Stade, Anthony Rolfe Johnson and John Macurdy. Sir Peter Hall's production of Macbeth conducted by Giuseppe Sinopoli features Eva Marton, Renato Bruson and Samuel Ramey. Lincoln Center. (362 6000).

WASHINGTON

Washington Opera (Eisenhower). The Consul. Gian Carlo Menotti's 1950 Pulitzer-prize winning opera protesting against police states is directed by the composer in repertory with Ruddigore. Kennedy Center. (254 3670).

HMS Pinafore (Opera House). Brian Mcdonald's production stars Ron Moody and Meg Bussest. Kennedy Center. Ends Feb 6. (254 3770).

LONDON

Royal Opera (Covent Garden). Bernard Haitink's first Wagner venture since taking on the Royal Opera musical directorship is a production of Parsifal. The staging is by Bill Bryden in the designs of Hayden Griffin; the young German tenor Peter Seiffert (London debut) takes the title role, and the cast also includes Robert Lloyd, Waltrand Meier, Simon Estes, and Willard White. (240 1066).

English National Opera (Coliseum). The triumphant new production by David Pountney of Hansel and Gretel is a magical combination of of operatic re-thinking and real theatrical fantasy. Mark Elder conducts, superbly. Cathryn Pope and Ethna Robinson take the title roles, and Felicity Palmer doubles as Mother and witch (on January 27 Pauline Tinsley, far too long absent from London opera, returns to the ENO in these roles). Also in repertory: Der Rosenkavalier, attractively conducted by Christian Badea, with Valerie Masterson a light but marvellously elegant Marschallin; and the latest revival of Graham Vick's deeply unsatisfactory Madam Butterfly production, with Janice Cairns and Edmund Barham as Cio-Cio-San and Pinkerton. (836 3161).

WEST GERMANY

Berlin, Deutsche Oper. Die Hugenotten has fine interpretations by Angela Denning, Pilar Lorengar and Viktor von Halem. La Gioconda, sung in Italian, features Maria Slatinaru, Kaja Borris and Bengt Rundgren. Don Carlos has Sharon Sweet, Ute Walther, Martti Talvela and Andreas Schmidt. (34 381).

Hamburg, Staatsoper. Ariadne auf Naxos has Hildegard Hartwig, Hellen Kwon, Judith Beckmann and Dieter Weller. Manon Lescaut stars Mara Zampieri. Die Entführung aus dem Serail will be conducted by Klaupeter Seibel. Don Pasquale has a strong cast with Hellen Kwon, Paolo Montarsolo and Urban Malmberg. Cav and Pag in Gian Carlo del Monaco's production will have its premiere this week. The cast is led by Julia Varady, Hildegard Hartwig, Natalia Troitskaya, Wladimir Atlantow and Piero Cappuccilli. (35 11 51).

Cologne, Opera. Wozzeck is steered to triumph by Brent Ellis in the title role, beside Nadine Secunde and Walter Raffeiner. (20 761).

Frankfurt, Opera. Louis Quilico repeats his much-praised performance in the title role in Falstaff. This week's highlight is Der Fliegende Hollander with Simon Estes, Kurt Moll and Luana De Vol. La Boheme, conducted by Michael Boder has Marianne Christos, Jonathan Welch and Barry Mora in the main parts. William Forsythe's ballet Impressing the Zar rounds off the week. (25 621).

ITALY

Genova, Teatro Margherita. The Genoa Opera opens its season with Massenet's Manon, sung in French, conducted by Daniel Oren and directed by Alberto Fassini, with scenery and costumes by Pasquale Grossi. Fiamma izzo d'Amico sings the title role, with Kurt Rydl (Conte des Grieux), Pietro Ballo (Chevalier des Grieux), and John Patrick Raftery as Lescaut. (58 93 29).

Trieste, Teatro Comunale Giuseppe Verdi. Gounod's Faust, sung in the original French, conducted by Spiros Argiris and directed by Franco Cavana, with Maria Spacagna, Richard Burke and Francesco Ellero d'Artegna. (63 19 48).

Palermo, Teatro Massimo. Carla Fracci dancing the title role in Prokofiev's Cinderella, (choreography by Loris Gai), directed by Beppe Menegatti and conducted by Luciano Rosada. (58 43 34).

NETHERLANDS

Amsterdam, Muziektheater. The Nina Wiener Dance Company with Enclosed Times (Mon). Nederlands Danstheater with a new ballet by Nacho Duato, The Unsung by Jose Limon, and Nomads (Kylian/Stravinsky) (Tue, Thur). The Netherlands Opera production of Don Giovanni directed by Alfred Kirchner. Nikolaus Harnoncourt conducting the Concertgebouw Orchestra, with Glenn Wilson, continuo. William Schmell in the title role, with Patricia Schuman, Edith Wiens and Hans Peter Blochwitz (Wed). (25 54 55).

Nijmegen, Schouwburg. Opera Forum with two Puccini one-acters: Suor Angelica and Gianni Schicchi (Wed). (22 11 00).

Saleroom/Antony Thorncroft

Slow start to New Year

The top London salerooms are slowly picking up their gavels again after their extended New Year break. At Sotheby's *yesterday morning English drawings* and watercolours totalled £80,091, with 14 per cent unsold. Six months ago the bought in percentage might have been half that figure: such is the extent of the impact of the fall in the stock exchanges and the fear of a recession on the fine art markets.

The Heim Gallery paid the top price of £8,580 for a very pretty pair of late Victorian watercolours by Arthur Claude Strachan entitled "Feeding the chicken" and "Talking to the ducks." The price was comfortably above forecast. An equally picturesque late Victorian watercolour by Benjamin Sigmund showing a young girl at the gate to an idyllic cottage was within target at £7,700.

Albert Goodwin is a good name among watercolourists and his view of the Cambridge Backs in 1918 was bought by the London dealer Chris Beetles for £6,820. Like many other dealers he is stocking up after last weeks successful World of Watercolours Fair in London. The same sum secured "The return of the flock" by John Henry Mole, the mid 19th century artist. It is work of this period which currently seems *modestly priced*.

In New York over the week end Sotheby's disposed of Important English Furniture. Once again the market is slightly weaker than before the Crash, with a total of $2,047,430 (£1,133,682) and 22 per cent unsold. A George Graham walnut longcase clock, of around 1720, did exceptionally well at £43,853. Even better was the price of £42,635 for a George III mahogany needlepoint upholstered settee, which was expected to go for around £6,000. A set of twelve George III black painted and parcel gilt caned armchairs of around 1800 was slightly above forecast at £34,717.

Christie's was also busy in New York over the weekend. Its print sale totalled £405,072 with 5 per cent unsold. One of only six impressions of Winslow Homer's lithograph "Yachting girl" sold for £29,333. Another nautical scene, "The cat boat," by Edward Hopper went way above target at £15,278.

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A shrinking union

MR ARTHUR Scargill's re-election as president of the National Union of Mineworkers may be a matter of national interest but it is not a matter of national crisis. Ten years ago a fresh mandate for an avowedly militant union leader – especially in *the NUM – would have had* major political and economic significance. Now, after the resounding defeat of the miners in the 1984-85 strike, Mr Scargill's victory is little more than an expected election *result in a small, dwindling* and not particularly powerful trade union.

Mr Scargill himself sees the election result as an endorsement of his militant, socialist policies. It was certainly a *personal endorsement.* Reports from the coalfields during the election campaign were characterised by miners at once pledging their loyalty to Mr Scargill and making plain that they had little if *any intention of putting their* decisions to practical effect through industrial action.

As a plebiscite on the policies he has pursued, Mr Scargill's majority is down considerably from when he first became president in 1981. Moreover, had the union not split asunder as a result of the strike and had the moderates in Nottinghamshire and elsewhere remained within the NUM, Mr Scargill would have lost.

Market pressures

To the absolutist Mr Scargill, such considerations are irrelevant. A victory is a victory, regardless of the scale: and even though his position can hardly have been strengthened by choosing to go for re-election and then being returned to office by only a narrow margin, the key point is that he has been returned. Nothing in the closeness of the vote will mean any modification of Mr Scargill's own views.

What does that mean for the agencies which have to deal with Mr Scargill and the NUM? For British Coal, the most important of them, not very much. Mr Scargill in the presidency of the NUM will be more of an impediment to the corporation's prospects for reducing its costs by such means as flexible working *patterns than his opponent,* who made clear his readiness to talk on the issue, would have been. But it cannot bring such moves by British Coal to a halt. Financial and market pressures will not allow it do so, and these pressures will get stronger. A likely consequence of electricity privatisation will be an increase in coal imports.

New realism

The Government's position is similar. Some Conservative right-wingers openly identified the Tory need for Mr Scargill as a Labour bogeyman: he will continue to have that role for them, and perhaps his re-election will accelerate active consideration of the further privatisation of the coal industry. Though he was careful never to say so, for Mr Neil Kinnock in the Labour Party Mr Scargill's re-election will hardly be welcome. As Labour begins its two-year "listening" campaign, among things it will hear and find most discomforting will be Mr Scargill shouting at it with renewed vigour to stick properly to its socialist last.

Mr Scargill claims his re-election is a body blow to new realism in the unions – a willingness to respond pragmatically to changing circumstances. That is doubtful: change in the unions has been driven by change in the labour market, and there is nothing in Mr Scargill's re-election which has the power to put a crimp in that.

The NUM itself is likely to be most affected by the result. The disabling NUM-UDM breach cannot be healed with Mr Scargill in the NUM president's chair: that is a tenet of faith for both sides. Mr Scargill's record shows he has no practical formula to stop pit closures by resolving the coal industry's economic *problems;* and as pits continue to close – British Coal warned yesterday that further industrial confrontation of the kind proposed by Mr Scargill could place another 20 pits in jeopardy – the NUM will continue to shrink.

A Soviet role in Romania

ROMANIA is in dire trouble. Whether the Romanian people can be left to pull their country out of the abyss into which it appears to be sliding, or whether the Soviet Union can afford to be seen assuming responsibility, presents a dilemma for Mr Mikhail Gorbachev.

Today, as Mr Nicolae Ceausescu celebrates his 70th birthday and looks on the results of his more than two decades of stewardship, he has little to celebrate. His shivering, malnourished countrymen, queueing up for frozen chickens' feet and heads and huddled in their dimly-lit and unheated homes, have even less cause for rejoicing.

Time was when Romanians and Westerners alike heartily applauded Mr Ceausescu's courage and independence. He alone of all the Warsaw Pact leaders was prepared to stand up to Moscow and unequivocally condemn the 1968 invasion of Czechoslovakia.

But that was long ago. Since then the courage and independence, unchecked by any tradition of accountability, have shown their dark side – tyranny and lawlessness. With his ruthless security police and his arbitrary purges and reshuffles, the president has isolated himself from moderating influences, creating a political vacuum around himself and his increasingly unpopular family in high places.

Bridge building

Now the process of isolation is gathering pace internationally. Relations with other Eastern bloc countries are growing ever more sour. In recent months Romania has quarrelled with Hungary, Czechoslovakia, Bulgaria and non-aligned Yugoslavia. The Poles complain that the Romanians are "impossible to negotiate with" and Soviet negotiators no longer bother to hide their exasperation with Romanian tactics in the Vienna arms talks. Relations with the West, such as they are, are also deteriorating.

Mr Ceausescu has made it clear that his country's growing isolation only increases his determination to become independent of foreign creditors, regardless of the strain this puts on his people. That they are close to breaking point is evident from the recent riots and demonstrations in Brasov, Timosoara and several other cities. Yet Mr Ceausescu remains determined to pay off the country's outstanding $6bn foreign debt by the end of the decade.

Ideal solution

But if the evident political instability and sheer misery of life in Romania are an indictment of Mr Ceausescu personally, they also reflect badly on the Soviet Union as leader and political guarantor of the Eastern bloc.

An ideal solution would see the Romanian people themselves win their freedom by rallying behind an alternative leadership and rebuilding their crumbling political structures. But this seems a remote possibility so long as Mr Ceausescu himself remains in place. And despite the reports of his ill health and internal unrest, he could be in power for several years yet.

The Romanians need help. But Moscow cannot send in the tanks as it did in Czechoslovakia 20 years ago, if Mr Gorbachev is to retain credibility. Nor does Mr Ceausescu look any readier to respond to pressure from Moscow now than he has in the past.

An alternative course, one which follows logically from Mr Gorbachev's pronouncements on greater democratisation and flexibility within the socialist system, would be for Moscow – in collaboration with other Eastern bloc governments – to support and encourage whichever faction looks likely to command most support from the Romanian people in filling the vacuum that has developed around the Ceausescu dynasty.

That no such faction or acceptable successor has yet emerged clearly should be no bar to some behind-the-scenes diplomacy. Such Soviet subtlety was, after all, displayed in the recent changes in Czechoslovakia.

The world micro-electronics industry is being revolutionised by a surge of cheap, specialised chips. **Terry Dodsworth** and **Louise Kehoe** report.

Leaping ahead on a surface of silicon

WHEN International Business Machines redesigned its personal computer a year or so ago, it gave a compelling demonstration of the awesome leaps in technology which are still happening in the micro-electronics industry. The most modestly-priced model in the new PS/2 range is roughly eight times as powerful as the first machine launched just six years before. Yet to achieve this radical improvement in performance, it now employs less than half as many integrated circuits, the tiny semiconductors which lie at the heart of the personal computer revolution.

One of the main reasons for this dramatic cut in the semiconductor count is the use of a relatively new type of chip. These devices, called Application Specific Integrated Circuits (ASICs), are now spreading like wildfire through all types of electronic equipment, and are probably experiencing faster sales growth than any other kind of semiconductor product.

ASICs are made using both "custom" and "semi-custom" techniques to tailor the product *to the precise needs of the* client – hence Application Specific. Until quite recently, most ASICs were custom-made – designed entirely by hand. The explosion in the industry of the last few years *has come from the develop*ment of new semi-custom design methods. These techniques allow manufacturers to combine standard parts with a few special circuits specific to the end user.

Semi-custom ASICs thus have elements of a special custom-built product, but are less expensive to design than a typical hand-crafted chip. One of their many virtues is that they allow manufacturers to integrate far more functions on a single piece of silicon – the chips on which the integrated circuits are etched. They therefore allow more power to be packed into the same amount of space, as in the PC/2, or for further equipment miniaturisation.

"If there were no ASICs you would need to be a shot-putter to carry a video camera around," says Mr Jim Beveridge, from the Dataquest market research group.

Until very recently, ASICs were a highly specialised niche market. Over the last two or three years, however, the lack of interest among the large semiconductor producers has turned to runaway enthusiasm. The market has begun to grow at a rate of well over 20 per cent a year, significantly faster than for integrated circuits as a whole, and it has already reached about 16 per cent of total world integrated circuit sales of $37bn. Scores of small design companies have sprung up like mushrooms; and virtually every big manufacturer in the world has jumped onto the ASIC bandwagon, turning it into the latest battlefield for the American and Japa*nese giants.*

Mr Pietro Palelia, business manager of the ASIC division of SGS-Thomson, the newly-formed Italian/French group, says there are now about 120 ASIC companies in the world, *with the larger producers* already established on a global basis. Dataquest calculates that in Europe alone there are 216 design offices where customers can lay out the circuits of a new chip on a computer screen.

This change in attitudes is partly a result of developments in semiconductor manufacturing technology. Rapid improvements in the ability to push more information onto a chip mean that semiconductor producers can increase the number of functions on a single piece of silicon. At the same time, the software for designing the elaborate network of circuits on the chips have leapt ahead.

"With the new software, any engineer with a personal computer on his desk has the potential to design a fairly complex chip," says Mr Peter Savage, head of the Semstat market research group.

As these improvements have emerged on the manufacturing supply side, demand has taken off from users who see multiple advantages in employing ASICs. Among these are:

- Lower cost. Although ASIC semiconductors are not always cheaper – customers are often charged for the design, for example – in many cases there is a saving in purchasing just one chip rather than a number of devices that have to be strung together on *a circuit board.*
- Reliability. The interconnections are all contained on one chip, so the device is intrinsically more reliable than several different components.
- Speed of operation. Because *the circuits are closer* together, the chip works faster and uses less energy.
- Time to market. With software and semi-custom processes taking much of the graft out of the design work, ASIC chips can be pushed through the development phase and onto the market more quickly than a conventional custom solution.
- Security. New ideas are so quickly imitated in the micro-electronics industry that equipment manufacturers have begun to use the customised circuitry of ASICs as a means of slowing down copying of their ideas.

As competition grows in the *industry, the character of the* market is also changing. In typical fashion, the Japanese have pushed rapidly into the commodity end of the market – product areas in which customers are demanding relatively high volumes and relatively low levels of complexity – with the aim of keeping their large semiconductor fabrication plants as fully loaded as possible. By contrast, the American strategy has been to move towards emphasis on more sophisticated products.

Indeed, the American industry has characteristically produced a number of pioneers in ASIC technology, including *LSI Logic,* the world's largest company purely devoted to producing these kind of chips. It is US companies like LSI that are also leading the drive into hybrid technologies aimed at exotic combinations of functions on a single chip: for example, engineers believe it is only a matter of time before very powerful microprocessors are integrated into ASIC products.

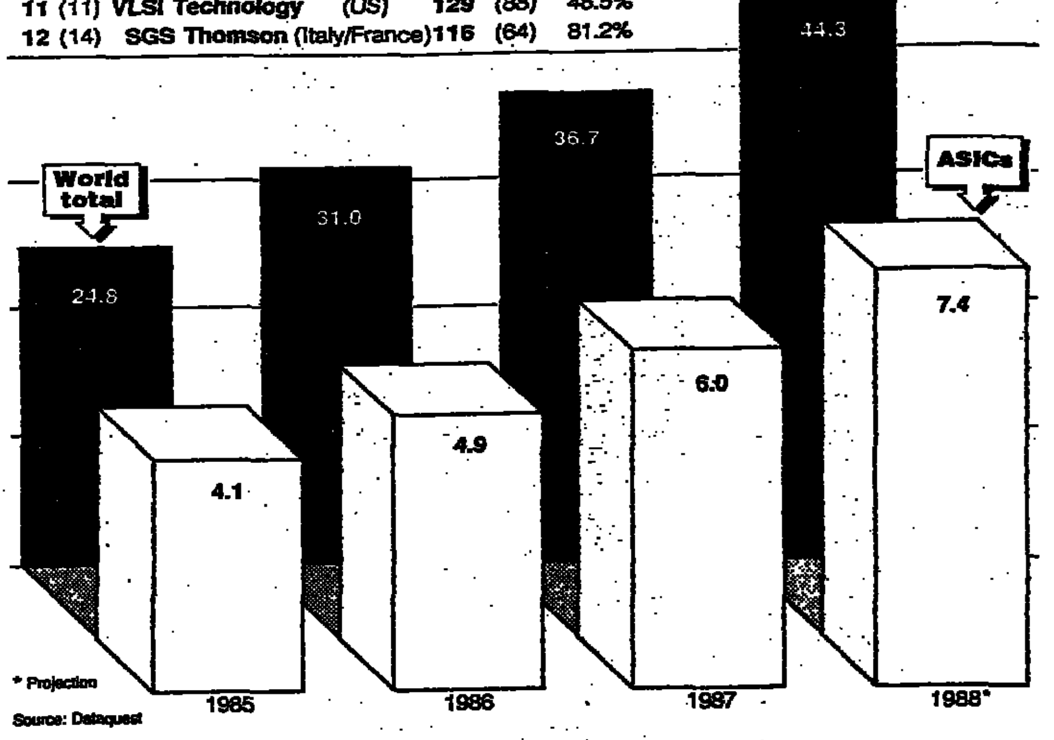
The strength of these US and Japanese groups, already established on a world scale, with cash to invest in design, new products and manufacturing processes, could make the industry increasingly uncomfortable for the niche players. One of the reasons for the rash of mergers among semiconductor manufacturers in the last year or so is the vulnerability of the smaller groups, a point underscored by the takeover of Ferranti by Plessey in the UK.

Only five years ago, Ferranti was widely regarded as the world's leading ASIC manufacturer. But it was caught out in a technology shift and failed to develop internationally. Today, Fujitsu of Japan dominates the market sector which Ferranti originally created – and, coincidentally, Fujitsu has in the process *become* the world's largest ASIC supplier.

Worldwide ASIC market share ranking

Rank 1987	(86)	Company		Revenue ($m) 1987	(86)	Change
1	(1)	NEC	(Japan)	590	(470)	25.5%
2	(2)	Toshiba	(Japan)	509	(337)	51.0%
3	(6)	Matsushita	(Japan)	271	(136)	99.3%
4	(3)	LSI Logic	(US)	260	(194)	34.0%
5	(4)	Oki	(Japan)	244	(188)	29.8%
6	(5)	Fujitsu	(Japan)	243	(170)	42.9%
7	(10)	Hitachi	(Japan)	240	(91)	163.7%
8	(8)	Sharp	(Japan)	137	(112)	22.3%
9	(7)	Gould AMI	(US)	132	(131)	0.8%
10	(9)	Seiko Epson	(Japan)	130	(103)	26.2%
11	(11)	VLSI Technology	(US)	129	(88)	46.5%
12	(14)	SGS Thomson	(Italy/France)	116	(64)	81.2%

ASICs' share of the world semiconductor market
$ billion



* Projection
Source: Dataquest

HISTORICALLY, the European semiconductor industry has been strong in full-custom ASICs, hand-crafted for the specific needs of a particular customer. Yet the really vigorous growth in the applications-specific sector these days is in semi-custom products. It is here that the American and Japanese companies can use their strengths – financial muscle, a broad product base and mastery of low-cost production processes.

Small boats dodging multinational tankers

US producers are already well established throughout Europe. Motorola, National Semiconductor and Texas Instruments all have substantial manufacturing facilities in the region, while LSI Logic will shortly open plants in both the UK and West Germany. The big Japanese manufacturers arrived later but are inexorably building up their presence. Virtually all of them offer ASIC services – indeed Fujitsu, because of its strong links with ICL in the UK, is one of the largest semi-custom suppliers in the region.

Faced with this challenge, Europe's larger ASICs companies are marshalling their forces through mergers and new investment programmes. In the UK, for example, Plessey's recent acquisition of the Ferranti semiconductor activities was designed to give the new company greater financial scale and a more comprehensive technology base. Similarly, the merger of SGS and Thomson earlier this year was partly aimed at bringing more resources to bear globally.

At the same time, these companies are ploughing money into physical resources. Plessey has opened a new plant; SGS has redesigned most of its products in the past year; Philips and Siemens have sunk large sums into projects designed to bring their production methods back up to the world-class standards established by the Japanese.

There is also a new generation of specialised European design companies, most of which contract their chip manufacturing out to outside suppliers. In general, these operations aim to give their clients high-quality service of the type normally associated with hand-crafted production methods, but with a faster introduction time.

These smaller operations still bear considerable costs. Advanced Silicon Corporation of Nijmegen in Holland, for example, raised around $18m (£9.8m)in start-up funds, and runs two mainframe computers. Yet it only employs 52 people.

Another of these companies, the pan-European ES2 organisation, has decided to set up its own manufacturing lines at a capital cost of about $25m. To keep up with the sophisticated design methods needed to tap the market, it employs around 70 software engineers – ploughing in expenditure before the company has begun to generate significant sales from its new plant.

These type of start-ups clearly carry significant risks, and many of the bigger companies are sceptical about their chances of survival. But they exist because of the belief that there are opportunities which large companies are not flexible enough to exploit. "There is hardly any competition in our part of the market because the multinationals are set up for large volume production," says Mr Peter Langendam, president of Advanced Silicon. "We are like a small boat dodging in and out of the tankers."

OBSERVER

Best of the white men

■South Africa's reformist businessmen had the stuffing knocked out of them prior to last year's whites only elections when President P W Botha singled out Chris Ball, chief executive of First National Bank – the pre-disinvestment Barclays Bank – for a full frontal attack. He was accused of helping to fund an advertisement calling for the release of Nelson Mandela, the jailed ANC leader. The attack kept Ball out of political play and persuaded many an erstwhile business critic to keep his head low and concentrate on making money out of snapping up disinvesting foreign companies.

One of the few businessmen who continued to risk the President's famous rage, however, was Tony Bloom, chairman of the Premier Food Group. He canvassed for PFP stalwart Helen Suzman and launched a blistering attack on the Government's "thuggery and authoritarianism".

Yesterday Bloom announced his decision, for mainly personal reasons, to leave South Africa and go to England. It was not an easy decision, he said, giving up friends, roots and "all this" as he waved his arm around the elegant panelled office with its modernist paintings and huge picture windows looking out over the Witwatersrand.

Ironically what he suspects he will miss most is the passionate involvement in the gold fish bowl of South African politics. As an eloquent voice of liberal capitalism, Bloom had the ear of major players. "I was in the position to meet most of them. The average flour miller in Manchester or Birmingham doesn't get the chance to meet people like Kissinger, Brzezinski, Macnamara and Geoffrey Howe and I've loved it. I'm going to miss it," he says.

He in turn is going to be missed not only by the PFP,and the many charities he supports, but also by the ANC whose exiled leadership he met in Lusaka during the height of the violent unrest over two years ago. A strong believer in the need to convert the ANC to the virtues of free enterprise and ween it away from its utopian socialism, Bloom has soughtto practice what he preaches by opening up promotion on merit for the group's 30,000 employees. This hasn't prevented some tough confrontations with the black unions or insistence on the need to keep rising profits for shareholders. He may have a big heart, but he's not a soft touch.

All in the stars

■Old Moore got it right. Its team of astrologers compile the annual pot-pourri of predictions and prognosis some 18 *months before publication.* Hence its spot-on forecast of a Royal baby in August was made about two years ago – well before even the tabloids began serious speculation.

If such form continues, however, investors should beware. The Old Moore of 1988 is a miserable bear and predicts steep falls in share prices the month after the Royal birth.

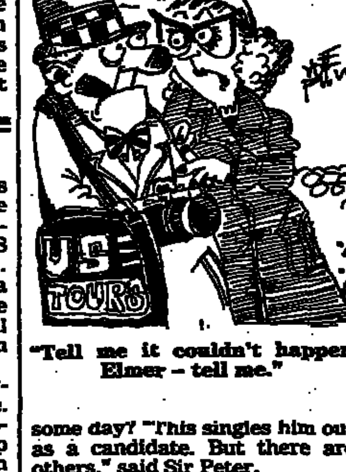
Morgan's new man

■*One of the City's rising stars* may have emerged from yesterday's management shake-up at Morgan Grenfell. Michael Dobson, who gets the newly created job of deputy chief executive at the age of 35 must be someone to watch.

A languages graduate from Cambridge, Dobson joined Morgan 15 years ago and worked his way up the ranks through sound managerial ability rather than the kind of pyrotechnic displays of brilliance by which some merchant bankers measure success. A couple of stints in New York overseeing Morgan's most important overseas business helped.

Sir Peter Carey, Morgan's chairman, says Dobson has "the qualities of an all-rounder. He *is a first class manager* who can adopt the group viewpoint." Does this mean that Dobson is being lined up for the top job some day? "This singles him out as a candidate. But there are others," said Sir Peter.

With his new job, Dobson will be running much of the day-to-day side of Morgan, freeing John Craven, his chief executive, to concentrate more on strategy and wooing clients. Of Morgan's future, he says: "We're not going to be an enormous global institution. But equally we don't want to shrink down and be a niche player. I think the events of the last few months have shown the importance of strong relationships between banks and their clients."



"Tell me it couldn't happen Elmer – tell me."

Walsh's base

■John Walsh, the defeated candidate in the National Union of Mineworkers election, will always have a base for any future campaigns.

Adrian Wilkinson, owner of the Four Ferrets pub in Castleford, has done very well since *Walsh adopted it as his head*quarters. "The pound coins have been rolling around in his eyes," said Karen Walsh, the 24-year-old daughter of John and Four Ferrets manager.

For the past month the Four Ferrets has been at the hub of international media attention. "There have been a few locals complaining that they can't get to the bar for journalists, but most of the regulars enjoyed the interest. You should have seen them competing to talk to a young French woman *reporter who wanted to know* what it was like down the pit," said Karen.

Grand design

■Stuart Luxon has been appointed by Landor International, the American-based corporate identity specialists that gave British Airways its new image, to head up the day-to-day operations of the worldwide consultancy.

Luxon, 43, who becomes chief operating officer and executive vice president, was previously head of the London-based European headquarters. Before he was with British Airways for 17 years, ultimately its general manager of marketing.

Landor, based in San Francisco, has set its sights on establishing the world's number one design consultancy.

Young thing

■It was tantamount to a D-notice, so strict were the ground rules. I cannot reveal the city, the audience or the identity of the senior UK politician let alone what we ate. But it was "truly an occasion," according to the British official who introduced him, "when the speaker needs no introduction. You will remember him well from his previous visit when he was Secretary of State for Unemployment."

Not a hope

■Is there an unattached funny non-sexist man in the north-east?

We should like to know: so would a woman of 40 who describes herself as "*dented but* undaunted" and is looking for him through an ad in this week's New Statesman.

Letters to the Editor

From Mr Julian Roche.

Sir, Your leader on "The Taxation of Marriage" (January 19) could perhaps have gone just a little further with the logic.

I assume that the introduction of non-transferable allowances could be accompanied by the abolition of the married man's tax allowance. The money from this antiquated and administratively complex system could also be used in support of cutting the basic rate of tax.

Alternatively the money could be used to allow two Mortgage Interest Reliefs At Source (MIRAS) for married people in the same way as unmarried couples receive it. The reduction in anti-fraud administration which this would permit, and the cutting of costs through not having to change mens' tax codings, would be worthwhile savings in themselves.

The effect of introducing these four changes – non-transferable allowances, wholly separate taxation for husbands and wives, the abolition of the married man's tax allowance, and permitting two MIRAS for married people – would be to give a healthy kick to the labour market in the direction I should have thought any government would want. Employers would be able to select the best person for the job without the lists of applicants being circumscribed by gender or marital status.

Julian Roche,
67a Stapleton Road, SW17

The taxation of marriage

From Mr John G. Ford.

Sir, I was appalled to read your editorial (January 19) about the possible introduction of two single tax allowances to replace the present married couple allowances which produce – where both spouses work – the equivalent of two and a half single allowances.

Having stated that the Chancellor's favoured 1986 option of full transferability would have the great advantage of pulling some one-earner families of limited means out of taxation altogether, and also of greatly easing the burden where women are forced to give up work to have their children, you then proceed to condemn transferability – even Mr Lawson's likely compromise of partial transferability – on the dubious grounds that it would interfere with the principles of privacy and independence because the husband's tax office would require to know full details of the wife's earnings (as is the case at present); and that wives would have a strong incentive not to leave home.

You fail to draw attention to the fact that most lower income women work because they have to, and most are in non-pensionable employment. Your proposal of non-transferable allowances would therefore hit the most vulnerable working couples at a time when they can least afford it. Not only would their income decrease (in the wife's case, cease) on retirement, but so would their tax allowances in comparison to the present married man's allowance.

You then propose that the problems produced by non-transferable allowances should be solved by the social security system, preferably means-tested, where *both* parties give up their privacy and independence by disclosing their income.

While I favour two single allowances so long as they are fully transferable, I prefer to keep the present system if the above is the best you can propose. As for non-transferable allowances producing resources to help the disadvantaged – so would keeping the upper tax bands where they are at present.

John G. Ford,
The Old Bakery,
Church Road,
Yapton,
Arundel, West Sussex
West Sussex

From Mr Michael Breewood.

Sir, Your editorial on the taxation of marriage (January 19) arrives at some muddled conclusions. If the Chancellor is serious about reforming taxation of married people he should do one of two things: either extend the logic of the current tax law by treating allowances in the same manner as he treats income – that is, as an aggregate; or he should abolish all personal taxes and tax allowances and base his tax revenue upon an expenditure tax.

Opting for the second of these choices would mean equal treatment for everyone, regardless of their married status, and would free sufficient resources to ensure that those who really need help can be given it.

Michael Breewood,
1 York Road,
Hitchen, Hertfordshire

Profit related pay could be tax free

From Mr Philip Burnford.

Sir, The Government's initiative in introducing tax benefit on profit-related pay schemes deserves to be welcomed. Three improvements would very significantly increase the momentum of the scheme.

First, make all profit-related pay tax free up to the limit in the legislation, instead of only half.

Next, relax the profit definition. For firms which are effectively communicating the importance of some other measure of performance (for example, value added), perhaps in relation to existing incentive arrangements, it could be confusing to introduce a PRP scheme with a strict profit definition.

Third, there is a need to relax the administrative burden on companies. The PRP office of the Inland Revenue should avoid being too restrictive in its interpretation of the legislation.

Philip Burnford,
Hay Management Consultants
52 Grosvenor Gardens, SW1

No cameras in the Commons

From Mr Charles Miller.

Sir, Christopher Dunkley's article (January 20) clearly and impressively set out the media's case for bringing cameras into the Commons. It is none the less an irony of our system of government that the clamour – predominantly voiced by the media – to televise the House should be more anachronistic than progressive in its effect.

Government's denial of access by the media to the core of policy formation in Whitehall has traditionally led the press and television to focus on Parliament to the virtual exclusion of the other elements of the policy process. Such skewed emphasis has the – perhaps desirable – result of buoying up public estimation of the importance of an institution whose effective power has passed to other parts of the system, and is only rarely glimpsed in a tiny minority of high-profile but unrepresentative issues.

But it provides no basis for further distorting the electorate's perception of Parliament in its pre-Bagehot, all-powerful, clothing. Televising the Chamber, which only a handful of commentators would suggest is still at the heart of the work of the House, may provide a few good pictures. But the consequences will be undesirable, both for the Commons and those who elect it.

As we have seen with the Lords, television has substantially increased the numbers of peers sitting in the chamber when the cameras are rolling. MPs need to be even more visible. Television in the Commons will improve their chances of being seen and of making populist speeches, but will take them away from the real work they do in helping their constituents – work mainly carried out in their offices. Constituency correspondence will inevitably suffer if the pressures – and lures – of television force MPs to spend more time in the chamber.

The electorate should not be denied the right to see how Government actually works. Giving them a 19th century fiction instead is no substitute. Television and the Executive could conspire to inform, rather than mislead the public.

Charles Miller,
Public Policy Consultants,
Vestry House,
Greyfriars Passage,
Newgate Street, EC1

From Mr Peter J. Williams.

Sir, The perceptive article by Christopher Dunkley on the Arts page (January 20) about the televising of Parliament has – like many others – missed a vital point.

Members of the Lower House are elected to represent the people of their constituencies, to take part in government, and to contribute to the resolution of the executive. The population of their constituencies, however, has little means of knowing whether their member plays an active part in debate, or even attends the House.

Those who live outside London have little opportunity of visiting the House to gain even the slightest insight into their member's performance. Why then should the decision over televising the Commons be left to the members?

Peter J. Williams,
26 New Walk,
Beverley,
North Humberside,
HU17 7DJ

The UK would be poorer without them

From Mr D.A. Rees.

Sir, The arguments in your editorial about government support for inward investment projects (January 15) are based on a fundamental misconception. This is: that because grant must be shown to be needed before it is awarded, such projects are marginal.

Are you then suggesting, for instance, that those Japanese companies which have set up here are not viable? This is clearly not so. The true answer is that in most inward investment cases the companies involved are highly successful with international markets which have a wide choice of where to locate their manufacturing facilities. Without grant aid they would not choose the UK as a base, and would continue to supply their markets here from outside. We would then be denied the direct benefits such companies bring to both the regional and national economy through job creation, import substitution, and exports.

The UK would be much the poorer without them. In Wales, for example, more are now employed by American-owned companies than in the whole of the coal and steel industries.

D.A. Rees,
Industrial Incentive Consultants,
Pen-y-Bont House,
Treforest Industrial Estate,
Pontypridd, Wales

Profit-related pay pattern is emerging

From Mr John Orpen and Mr Calvin Jackson.

Sir, We would suggest that as the number of profit-related pay schemes (FT, January 13) continues to grow, a pattern has already emerged from which it is possible to identify the reasons why PRP has been introduced by, or its introduction is being actively considered by, some firms and not by others.

In our view, the reason lies in the existing pay framework. There are, in essence, three ways in which PRP can be introduced. The first is by way of base pay sacrifice. The difficulties involved in introducing such schemes are obvious: few in a given workforce will be disposed to invest part of their existing pay.

The second method is to introduce PRP as a new bonus scheme, either instead of or in addition to a forthcoming pay rise. This has proved more popular, and is likely to be the "middle ground" on which the battle for PRP will be won or lost.

The third method is by far the most popular: PRP is substituted either wholly or partially for existing bonus schemes (particularly those already using profit as the performance criteria). By this method a firm can secure a valuable tax saving for its employees at a modest cost to itself. The aggregate tax savings can be very substantial, particularly in the case of organisations with a considerable number of employees in receipt of bonus payments.

A relaxation of the PRP legislation would be most welcome, and so would be an increase in the limits available for tax relief. However, our experience as advisors makes us believe that even in its present form PRP can be a valuable part of a firm's remuneration policy.

John Orpen,
Calvin Jackson,
128 Queen Victoria Street, EC4

Singled out for an opportunity

From Mr D.W. Moss.

Sir, A limited market survey shows that I am not alone in noticing a dramatic upturn in the number of odd socks plaguing my wardrobe.

Do any of your readers have an explanation for this phenomenon? Could it be that modern washing machines devour socks?

Is there an opportunity here for an entrepreneur to launch a chain of single sock shops?

D.W. Moss,
Beechwood,
Box Lane,
Bovingdon, Hertfordshire

Statistics sent up in smoke

From Mr A.D.C. Turner.

Sir, Your recent Health Care series asserted that "...only 34 per cent of the UK adult population now smokes, compared with a majority a few years ago."

This is misleading. Taking cigarettes, roll-your-own tobaccos, and pipe tobaccos together, the number of adults in the UK who can be classified as smokers is close to 40 per cent. Your figure of 34 per cent applies to consumers of factory manufactured cigarettes only.

A.D.C. Turner,
Tobacco Advisory Council,
Glen House,
Stag Place, SW1

Glasses raised in tribute

From Mr Richard M. Evans.

Sir, On the subject of poor customer service, I should like to quote a recent example of exceptional service provided by British Airways.

Flying from London to Singapore with BA (flight 011, November 21) I evidently dropped my spectacles, in their case, under the seat, leaving them there when I disembarked. As there was no identification in the case I did not bother to report the loss.

I was amazed, 36 hours later, to receive a telephone call in Jakarta from the travel agent from whom I had purchased my ticket, informing me that my spectacles were in Adelaide and being sent to me by the first available flight. They duly arrived in Jakarta two days later, – and BA itself does not fly here.

It is encouraging that an airline's records can identify not only the name of a passenger occupying a particular seat, but also the name/address of the ticketing agent; but what is most gratifying is that someone took the trouble to consult the records and then took all the necessary steps to return my property.

A final thought: those who habitually move to a seat other than that allocated on their boarding pass would not be so lucky!

Richard Evans,
Jalan Gedung Hijau III/18,
Pondok Indah,
Jakarta,
Indonesia.

Mr Gorbachev's restructuring drive is not a matter of mere words

From Mr Viktor Loginov.

Sir, I do not share the pessimism expressed by Mr Hofheinz in his article "Gorbachev's reforms may be taking well-worn path to failure" (January 7), although I do admit that the dialectics of social and economic development are complex and contradictory and can be discussed both in the USSR and abroad.

True, the current restructuring process in the USSR in some cases runs up against the reluctance of economic managers to abandon the old stereotypes of thinking and management and to employ new approaches to work. It is also true that, on acquiring a greater degree of independence, producers – who operated under the constant control and supervision of industrial ministries for a long time – still cannot use it fully, or exploit the advantages offered.

On the whole, the restructuring drive is not plain sailing. Its progress is hampered both by outdated management methods and lack of knowledge of how to work in a new way. This is why many national economic indices in 1987 proved to be lower than expected. This is perfectly understandable: a new orientation of social and economic development is inevitably linked with setbacks and losses.

As regards the parallel between the current economic reform and the reform of 1965, it should be recalled that the 1965 reform dealt mainly with the system of planning and assessment of economic performance. The current reform is more consistent and comprehensive. It changes not only the system of planning and management, but also the legal foundation of producers' work: extension of democracy, elections of economic managers, and so forth.

Under the 1965 reform, economic independence of a producer was restricted by a multitude of bans and indicators from higher up. In those times producers did not have the chance to administer even a portion of their output. The law on state enterprise, which came into force on January 1 1988, lifted these restrictions.

Further, the 1965 reform established no direct dependence between production results and the profit left at the disposal of a producer. By contrast, the remaining share of profit now belongs to the producer who is free to administer it. There are plans for a more consistent implementation of the principle of material liability for production results and the quality of goods. From now on producers will draft and endorse their own plans. Their operation will be regulated only by draft production figures, cost limitations and state orders.

I would also like to point out that the 1965 reform, inconsistent as it was, ensured the Soviet Union's economic growth 1966-1970. National income grew by 77bn roubles as against 45bn roubles in 1961-1965. Labour productivity went up by 37 per cent, making it possible to increase real per capita incomes by one third.

Of course there are fears today that the new economic reform will lose momentum if bureaucratic approaches to economic problems prevail, as in the past. The Soviet press and television have, for example, reported with the utmost concern that many ministries included almost 100 per cent of output in state orders, thus leaving producers no room for initiative in concluding direct contracts with their partners. In other words, the ministries are restricting producer independence which is the fundamental principle of the current reform in the USSR.

The 1965 reform was largely formal, a matter of mere words, which made it impossible to implement the principles of profit-and-loss accounting on which it was based. Conversely, the current restructuring policy has better chances of succeeding, as all problems pertaining to it are being tackled in an atmosphere of openness and democratisation of society.

Viktor Loginov,
Deputy Director, Institute of Economics,
USSR Academy of Sciences,
Moscow

FOREIGN AFFAIRS

Searching for an elusive esprit de corps

Edward Mortimer asks whether there is any such thing as a European identity

CAN YOU imagine the British Government inviting more than 100 intellectuals from all over Europe to spend two days in London discussing "the European cultural identity", as guests of the foreign secretary, just three months before a general election? Can you imagine it preparing for this event by sending out 13 British writers, ranging from, say, William Golding to Marina Warner, to conduct preliminary soundings in all the other countries of the European Community and, within weeks of their return, seeing the resulting essays in a book produced by a leading British publisher, under the title *Letters from Europe*?

You cannot. Neither can I. But the equivalent is what the French Government has just done. The idea was announced by Mr Jean Bernard Raimond, minister of foreign affairs, in a speech last October. Earlier this month there we all were in Paris, supplied with copies of the book and sitting down with Mr Raimond to a sumptuous dinner at the Quai d'Orsay.

It seems ill-mannered, after accepting such generous hospitality, to ask what it was all in aid of, and perhaps the question would be more fittingly asked by the French taxpayers whose money was being spent. But journalists sometimes have to ask questions that would be ill-mannered in private life and professional integrity obliges them to look gift horses in the mouth.

Anyway, I did ask. The answer was not all that clear, but it seemed to have something to do with 1992, the date when all economic barriers within the EC are supposed to disappear.

For that to succeed, the citizens of the 12 member states will have to develop great confidence in each other's willingness and ability to apply common standards in many quite sensitive areas of life. The British, for instance, will have to assume that the authorities in Greece and Portugal are as zealous as their own in keeping out drugs, terrorists and rabid dogs. If Lord Cockfield's argument is accepted, there will even have to be VAT on items currently exempt or zero rated, so that trade is not unfairly poached from neighbours across the Channel.

Such a degree of mutual confidence, such a spirit of give and take, can only be achieved among people who feel that they belong together. Hitherto it has usually been done only within a single state under the name of "national identity". Therefore, it is unrealistic to expect it to work on the scale of the EC unless there is a comparable sense that, deep down, Europeans are more or less the same sort of people – that there is a European identity.

Few people nowadays would wish to proclaim this identity as a racial one. So, if it exists at all, it must be cultural: there must be something special about European civilisation, derived, no doubt, from a common European history, with which we can all identify.

That, at least, was what I took Mr Raimond to be on about, though the words are mine not his. As for why it was all being done in such a hurry, that was explained by my French *voisin de table*. The present French Government cannot last beyond next May, when either the Prime Minister, Mr Jacques Chirac, will be elected President of the Republic – in which case there must be a new Prime Minister and a reshuffle – or he will not, in which case there will be a different government. So anything the present ministers wish to be remembered by has to be done now.

Mr Raimond, I infer, wishes to be remembered as a foreign minister who took culture seriously. A career diplomat by origin, he describes himself as having "long been connected with intellectual circles, in the broadest sense" and adds that he has "always been careful to preserve the ties which had drawn me close to them". Again, these are words one does not easily imagine on the lips of Sir Geoffrey Howe, though he could probably say them just as truthfully.

The foreign ministry was not alone, I was told, in seeking to stage some impressive event before the election campaign got going. Mr Chirac had hosted an assembly of France's Jewish community. Mr Francois Leotard, Minister of Culture and Communication, was about to launch an initiative to defend the written word against competition from the electronic media. And, of course, President Mitterrand was having his grand colloquium of Nobel Prize winners.

My chest swelled at the thought that I had been invited to Paris in an attempt to draw some of the limelight away from Dr Henry Kissinger and Mr Elie Wiesel. But my brow furrowed at the concomitant thought that all these events were actually supposed to endear their sponsors to the French electorate. Almost any of them, if the cost of it were publicised, would surely be enough to damn a British politician beyond redemption.

Is it possible that two countries so profoundly different can share a common identity of any sort? Indeed, I began to wonder, at certain moments, whether the real object of the exercise was not to make us English feel as un-European as possible, in the hope that we would exclude ourselves from the Community and leave the "real" Europeans to get on with it.

It is, after all, difficult to divorce culture from language and the English have made the mistake of sharing their language with a great power outside Europe, whose culture is seen by some Europeans as a threat to their own. Mr Andre Fontaine, editor of the daily newspaper, Le Monde, told the symposium that he feels more in Europe when he is Buenos Aires than he does in Paris, because there are fewer English words to be seen on hoardings in the streets.

English, it seems, is not a European language: a view shared by the French foreign ministry, which had been careful to invite a group of British "intellectuals" capable of speaking French, and hence unrepresentative of British culture. "You should have invited people who like you less," declared one of them, the historian Mr Theodore Zeldin.

Ironically, English was spoken in the symposium only by a couple of Irish writers – one of whom quoted Oscar Wilde: "They gave us their language and we turned it into literature" – and by one nobly heretical Frenchman who was prepared to repay us the compliment. He, I assume, was summarily guillotined as soon as we had gone home.

Luckily the French obsession with the dangers of Europe being Americanised by the spread of the English language turned out not to be widely shared. Danes, Flemings and Catalans seemed just as resentful at the thought of being forced to speak French (or German, for that matter) and saw no reason to suppose that a television diet of home-grown European soap operas would be in any way preferable to the present one of Dynasty and Dallas.

Almost everyone pointed out the absurdity of trying to limit European culture to the member states of the EC, as though Prague, Vienna and indeed Moscow were not essential parts of it; and everyone agreed that if two things above all could be said to constitute the European cultural identity, they were linguistic and ideological diversity on the one hand, and openness to outside influences on the other.

So, the one thing we had better not do, if we want to preserve European culture, is to try to define it too closely or decide who exactly belongs to it and who does not. Although of course, if Mr Raimond is devoting any more banquets to the subject I'm sure ...

FINANCIAL TIMES
Tuesday January 26 1988

G'day Australia and welcome to the plastic dollar

BY CHRIS SHERWELL IN SYDNEY

YOU HAVE probably heard of plastic money, and you may even believe you own some, thanks to your credit card company. But Australia is about to receive the real thing.

To commemorate Australia's bicentenary, the Reserve Bank in Sydney, with expert scientific help, has developed a special polymer banknote with a shiny portrait of the explorer James Cook in one corner which throws out a rainbow of colours.

The new A$10 ($7.2) plastic note - which is being offered at a premium price of A$14 - will go into circulation immediately after the Australia Day celebrations today.

Watching closely is the secret and mysterious world of security printers - and, no doubt, counterfeiters.

The note looks like conventional paper currency but has a smoother, slightly waxier feel. It folds like a paper note, and even creases like one, but it returns to its original shape.

The idea of plastic money is not new. De la Rue, the British banknote printers, looked at the idea and rejected it.

Rivals Bradbury Wilkinson, now taken over by de la Rue, tried it in the Isle of Man, where it is still in use, and in Haiti, where it has met with a conspicuous lack of success.

The main complaints focused on a plastic note's inability to withstand wear and tear - it could melt, be stretched to deformity and split in two.

It is too early to say whether the locally-developed Australian note suffers the same weaknesses. But the Reserve Bank says it has survived washing machines, burial and other potentially injurious tests of durability.

One unique feature of the Australian note is that it is virtually impossible to forge. It carries an OVD - an optically variable device - which changes colour according to the angle from which it is viewed.

As for the note's nine-colour design, one side shows an Aboriginal youth, an ancient rock painting and a ceremonial Morning Star pole.

The other shows one of the original ships and some of the people who first established a settlement at Sydney Cove in 1788. The ship portrayed, called "Supply," gives welcome new meaning to the term "supply side".

The Reserve Bank, as the issuing authority, launched a publicity campaign over the weekend to bring the public's attention to the note. A small reference in its advertisements to a special "first print" souvenir issue provoked thousands of telephone calls yesterday from interested people anxious to purchase one.

Embarrassingly, however, supplies are limited - no souvenir issues will be available at first, and initially only reduced numbers will be circulated.

This is because the Bank has been subjected to a classic squeeze: industrial action by printing employees at its Note Printing Branch.

David Thomas reports on Philips' long but fruitful voyage of discovery

Taking the slow boat to China

"IN 1984, we travelled like Columbus. We got in our boat and we were not sure what we would find." So says Mr Jaap Ellerbroek, marketing director for private telecommunications equipment at Philips of the Netherlands, looking back at his earliest experience of trying to do business in China.

The first leg of Philips' voyage of discovery to China has ended with an announcement that two Chinese factories have signed an eight-year deal to make Philips private exchanges (PABXs) under licence. A third factory is expected to agree a similar contract with Philips before the end of this month.

Philips will thus be setting off along the same path trodden optimistically by so many foreign companies aware of the possibilities in a country of such unrealised potential and a population of more than 1bn.

Many of these companies have found the going tough, whether their business is hotels, aircraft assembly or motor cars. The Chinese want foreign investment and expertise, but the prospect of exporting such commodities can be tricky, both in terms of making money and in training sufficient Chinese personnel to maintain quality control.

Philips reckons the deal – the first in which modern digital PABX technology is being transferred to China – will give it a large share of a market for business exchanges that will be among the world's 10 largest within four years. Each of the three factories will build up to between 80,000 and 100,000 lines a year, worth a total of about Fl 200m ($107m) to Philips over five years.

Philips of the Netherlands has secured an eight-year deal with two Chinese factories to make its private exchanges (PABXs) under licence. Meanwhile, Plessey, of the UK, is expected to announce within a month that it has won a PABX technology transfer deal for one of the factories in the Chinese programme, writes David Thomas in London.

However, before the Dutch multinational was able to reach this happy conclusion, it went through three years of on-off negotiations which illustrate some of the problems of clinching contracts in China as its economy modernises.

Mr Ellerbroek said: "From a controlled, planned economy, it is becoming a much freer market in which future developments are state-guided, but subject to much more relaxed commercial considerations."

In the three years Philips pursued the contract, several changes took place in the way the Chinese set about trying to reach their decisions – swinging from decentralisation to centralisation and back again. These shifts were determined largely by the scarcity of foreign exchange at a particular moment.

Back in 1984, Mr Ellerbroek remembers, "it looked as though money was no problem." But by the middle of 1985 a reaction had set in. The Chinese authorities became worried about foreign exchange which, in Mr Ellerbroek's words, became "a bit of a headache...suddenly the whole thing got into a bit of a panic."

This was followed by what Philips refers to laconically as a "silent period" from mid-1985 to 1986. This was not only because of the foreign exchange difficulties, which persist to this day, but also, and more importantly, because of the flux and uncertainty within competing elements of the Chinese leadership about which direction to take on a range of issues including joint ventures and foreign investment.

Negotiations picked up again and the Dutch company was close to signing with the two factories which had always shown most interest. Mr Ellerbroek believes the two companies were impressed by Philips' experience of joint ventures in other developing countries and by their experience of the company's PABXs imported from its Hong Kong subsidiary.

However, the Chinese then swung back to a more centralised approach. In 1986, the central Government decreed that 10 factories should invite tenders from all-comers for PABX work. Philips was almost back at square one.

Philips had to submit bids to all 10 factories. Since each factory was represented by at least half-a-dozen people, the Dutch company had to negotiate with a combined Chinese team of more than 60 people. Moreover, now Philips was up against the other major Western telecommunications companies, "the whole world was at the table," Mr Ellerbroek says.

By July 1987, Philips believed it was once more making good progress, but there followed another silent period before news of the deal finally came through just before Christmas.

While this may sound chaotic, Mr Ellerbroek says the swings are not that different from the fashions which sweep Western multinationals.

Moreover, the involvement of the Chinese Government in the final approach – that of the central tender – also brought with it the solution to the problem of foreign exchange: the Chinese authorities agreed that Philips would be paid entirely in dollars.

The deal itself is structured carefully to cover three phases which will succeed each other in gaps of about six months: first, China will import entire Philips PABXs; next it will import parts for assembly; then it will move to manufacture proper with freedom to get its components wherever it chooses, which could result in up to 90 per cent of the parts coming from sources other than Philips. Philips will train Chinese personnel in both China and the Netherlands throughout.

Philips believes it will be about five years before it is possible to say whether its voyage as a group into China has paid off. "Philips has taken a long-term view of China," Mr Ellerbroek says.

By then, Philips will be able to judge whether or not it is going to do largescale business in the country across its whole product range – including, in telecommunications, broadening out to other products such as public exchanges.

UK urged to join European space projects

By Peter Marsh in London

BRITAIN'S space policy comes under strong attack today in a report from the House of Lords science and technology committee, which calls for Government spending in this area roughly to double to £200m ($358m) a year by the early 1990s.

The committee says Britain should join two important international space projects – the Columbus orbiting laboratory and the Ariane-5 rocket – being organised by the 13-nation European Space Agency (ESA).

Britain has regarded these projects, which will cost a total of about $5bn by the end of the century, with only luke-warm interest. The ESA has given the UK until February 10 to decide whether to join the schemes.

Lord Shackleton, the committee chairman, said yesterday that the Government had shown a "lack of concentration" on the issues at stake in space technology.

He dismissed the Government argument that projects should be backed only if they held out a reasonable promise of direct economic returns within a set number of years.

He said space projects were closely bound up with general questions of national self-esteem and the challenge of exploring a new domain.

The committee agrees, however, with the Government's refusal to join another ESA scheme, a project to build the French-inspired Hermes manned space shuttle by the end of the 1990s.

According to the committee, the Hermes project is driven largely by the prestige of putting Europeans into space independently of the US and USSR.

The committee says that Britain cannot expect to continue as a major power in space without significantly increasing its spending, which is well below the figures for France, West Germany and Italy.

The report says that the UK's civilian space budget of about £112m a year "gets the worst of all worlds – too much for real savings (and) too little for lasting achievements. If the budget is to stay at this figure the UK might as well bow out of space now."

According to the report, Britain should aim to contribute about £130m a year by the early 1990s to ESA programmes including the Columbus and Ariane-5 projects.

Collaboration on both schemes along the lines of what the committee seeks would mean that Britain would spend a total of roughly £400m by the late 1990s.

The UK should also have a strong non-ESA space programme, the report states, supporting work in Britain and permitting the UK to join non-ESA countries, such as the US, in bilateral schemes.

This element of the overall space programme, financed at about £70m a year, could involve satellites for communications and for remote sensing.

This last discipline involves viewing the Earth from orbit, possibly using radar and other novel sensor techniques, to obtain information about crop growth and geological formations.

The committee is optimistic about the commercial promise of remote sensing, which it says Britain is in a good position to exploit.

Britain should, says the report, take the lead in the Columbus scheme in building a specific segment of the laboratory that under ESA plans is to be used for observing the Earth.

The committee believes that Britain's failure to evolve a sound space policy is bound up with the weak status in the Government of the British National Space Centre, a body set up in November 1985 under the auspices of the Department of Trade and Industry.

The centre should be given a stronger role, says the committee, obtaining funds directly from parliament rather than through another government agency.

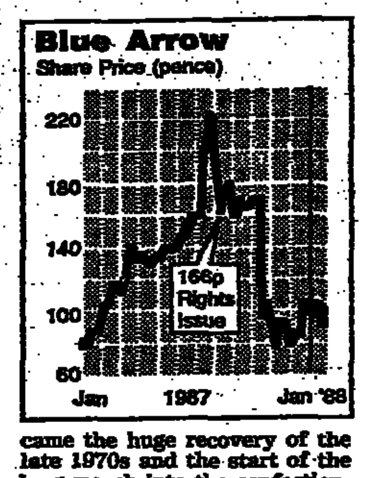
The Government has been too restricted in its thinking about space, according to the report.

THE LEX COLUMN

Two's a crowd at Blue Arrow

Blue Arrow has misread the psychology of the market if it thought the unfortunate issue of Mr Castleman's resignation as chief executive could be cleared up quietly before today's results announcement. Greater perception might have been expected from a people business: surely it could have guessed that the market would instantly anticipate a nasty surprise in the figures.

The 14 per cent initial fall in the share price showed the market willing to believe the worst of a company which stuffed it with £837m shares at the top of the market. Even the closing 7p fall was equivalent to over 100 years of Mr Castleman's £300,000 plus annual salary – an overly generous estimate of the damage that a City heavyweight can do in two months. The market's fears seem ill grounded, and there is no evidence that Blue Arrow will not comfortably exceed its profit forecast made at the time of the Manpower acquisition.



While the Castleman debacle appears to contain no sinister secrets, its message is none the more reassuring for that. The world's biggest employment group is apparently not large enough to give sufficient elbow room to both a chairman and a chief executive. For all its growth, ambitions and market leadership, Blue Arrow has shown itself to be still a one man company. In the short term this may not matter, as Manpower seems more than capable of running itself. But if Blue Arrow's share price ever recovers sufficiently to regain it a place in the FTSE-100, a little more breadth of management would be reassuring.

Rowntree

Rowntree's decision to sell out of the snacks business put 7p on its share price yesterday, presumably on the grounds that it makes sense to retreat from a blind alley. The snack markets in both the UK and US seem too competitive these days for a player on Rowntree's modest scale, and the theory is that by reducing its gearing from perhaps 50 per cent to nearer 20 per cent the company will free itself to make acquisitions in more rewarding areas.

There is a nagging sense, though, of coming full circle. Rowntree's desire to broaden away from confectionery goes back a very long way, but was postponed in 1973 by the unsuccessful betting of two thirds of the company's net worth on cocoa futures. Then came the huge recovery of the late 1970s and the start of the long march into the confectionery markets of Europe; and when diversification eventually came, in the early 1980s, it consisted of buying the two companies which Rowntree now proposes to sell.

The sale of Tom's Foods will also be a setback for the company's ambitions in the US; it is locked out of chocolate confectionery by the dominance of the market leaders and its licensing agreement with Hershey, and will presumably have to rely on developing the sugar confectionery business of Sunmark. Meanwhile, the original UK business is flat, and Europe will continue to need cash to keep the volume growing. There are attractions, certainly, in the company returning to basics, but they might be expressed simply by a return of the old bid rumours.

Eastman Kodak

Eastman Kodak is a prime example of the grand old US blue chip stock which commanded a massive market position for so long that it failed to notice the competition until it was nearly too late. Some companies like Coca-Cola, Boeing and Anheuser-Busch have been extremely successful at defending their traditional markets, while others such as General Motors and USX Corporation have found it necessary to make expensive acquisitions in a bid to maintain their momentum. Eastman Kodak, whose name is synonymous with the camera business, fits into the latter category with its $5.1bn offer for Sterling Drug.

There is a certain amount of industrial logic behind the bid. Kodak's traditional photographic business has spawned considerable pharmaceutical research and while Sterling is not one of the crown jewels of the US drug industry, it was available, at least, and provides Kodak with a useful distribution network for bringing its drugs to market. However, Kodak is paying an estimated 22 times current year's earnings for Sterling, and the impact on its own earnings could be felt for the next four years. In addition, its gearing rises sharply. Given the traumas it has had to go through in adjusting to the Japanese competition in recent years, there must be questions about its ability to digest an acquisition of this size. Wall Street's concerns about the deal – reflected in the sharp drop in Kodak's share price yesterday – have been increased by Kodak's apparent intention to keep all of Sterling's assorted businesses.

RHP/Burgess

RHP's reaction to the announcement of weak trading at Burgess – to offer a higher earnings multiple than before – may seem an odd response to bad news. Clearly RHP thinks the news is not as bad as all that.

Indeed Roger Pinnington, RHP's chief executive, could scarcely mask his satisfaction yesterday. Burgess's misfortunes had given him the excuse to mount a pre-emptive coup against the proposed board of the enlarged company, from which RHP – and Mr Pinnington himself – have emerged dominant. What was originally seen as a reverse takeover by Burgess has been reversed again into a straightforward acquisition by RHP, and thanks to the benefits of acquisition accounting, should lead to little dilution of earnings in the current year.

But once the accountants have done their bit it will be up to the much-admired Bob Morton, chairman of Burgess and deputy chairman of the new group, to prove that he has not lost his own acquisitive touch. Yesterday's news of a disastrous December for American Electronic Components, bought by Burgess last June for £43m, can hardly have come as a surprise given AEC's dependence on automotive electronics and the state of the US automotive industry. But it must raise questions about the bolt-on approach which has allowed Mr Morton to transform Burgess in three years from a group with a market capitalisation of £2m to one which is worth £91m to RHP.

UN to consider report on West Bank and Gaza

THE UNITED NATIONS Security Council will meet tomorrow to consider Secretary General Javier Perez de Cuellar's report on the situation in the West Bank and Gaza Strip territories occupied by Israel, writes Reuter from New York.

The report, issued last Friday, recommends a concerted effort to persuade Israel to accept the full application in the territories of the Geneva Convention on the treatment of civilians in wartime.

Asked whether this week's debate would result in a resolution on the short-term issues involved, council president Crispin Tickell said: "We shall see. It hasn't yet been decided."

He added: "I can't say we will deal with the short-term problems now and the long-term problems later because in many ways the solutions to the short-term problems lie in the long-term."

Rowntree to pull out of snacks business in Britain and US

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR, IN LONDON

ROWNTREE, the UK-based international confectionery group, is pulling out of the crisps and savoury snacks business in the US and Britain.

It has put up for sale Tom's Foods of Columbus, Georgia, and its British subsidiary Rowntree Snack Foods.

Although Rowntree would not name a price, Mr Nick Nightingale, a director, said the company hoped to get at least what it paid for them. "We don't intend to dent our earnings per share," he added.

Tom's Foods, the group's first US purchase, cost £140m ($249m) in 1983. The British snacks business, formerly Sooner Foods, based at Scunthorpe in the north of England, was bought a year earlier for £13.5m. Analysts yesterday suggested that the sale might yield as much as £180m.

Executives of the US company are believed to be attempting to launch a management buy-out.

A large part of the proceeds is expected to be used to rebuild the group's presence in the US through acquisitions of companies in Rowntree's core confectionery business. "Selling will give us the funds to help with our next acquisition," Mr Nightingale said. "The London market is not very good for raising funds at the moment."

Sunmark of St Louis, Missouri, which was bought in 1986 for £155m is likely to form the foundation for expansion in sugar confectionery.

The company has 900 employees and is well known in the US for its Willy Wonka and Nerds sweets.

Tom's Foods, best known for Tom's Toasted Peanuts in the south-eastern and south-western states, has seven factories and employs around 2,500. Last year it made profits of $21m on sales of $247m.

The British subsidiary made $1.5m from £42m turnover on Riley's and Murphy's crisps and other savoury products.

Both companies have suffered from heavy competition from the leading manufacturers of savoury snacks in the US and Britain.

"Tom's and Snack Foods are sound businesses with good futures, but their development will require an injection of resources which we can invest more effectively elsewhere," Mr Kenneth Dixon, Rowntree's chairman said.

The move into savoury snacks in the UK followed the failure of one of Rowntree's earliest attempts to diversify in the UK by taking over the Huntley & Palmer biscuit business. After its bid was referred to the Monopolies and Mergers Commission in 1982, Rowntree pulled out and Nabisco gained control.

Pohl expects US to halt decline of dollar

Continued from Page 1

for a stronger World Bank role in combatting the international debt crisis, said it was hard to find sympathy for the recent reluctance in Congress to agree a rise in its capital.

This was due to worries over the US budget deficit, he said, but extended World Bank activities could be financed through capital markets.

Although Germany, as one of the world's biggest trading countries, had an interest in seeing developing countries remain solvent, the US had even bigger economic and political reasons. Brazil, Argentina and Mexico, for instance, were virtually on its doorstep.

Commenting on the German economy, he said the main uncertainty surrounding the Government's assumption of a 1.5 to 2 per cent growth rate in 1988 was private investment.

In recent years this had grown slower than forecast and industry was now sceptical about the growth outlook. But this could change if the dollar stabilised.

A stable dollar would also allow German exports to rise, though less strongly than last year. Private consumption would again strongly underpin economic growth and a high public sector deficit was necessary and unavoidable in the economic circumstances, he said.

Philip Stephens adds: Intervention by central banks of the Group of Seven nations in support of the dollar is not based on precise, fixed target zones for the US currency, a senior UK official said in London yesterday.

Sir Geoffrey Littler, the Treasury official in charge of international finance, said that understandings on intervention paid as much attention to the dynamics of currency movements as to particular rates.

The central banks tried to avoid giving the markets the impression they were defending particular rates for the dollar.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
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Lawyers denounce Israel

Continued from Page 1

One of the Palestinians, Mr Issam Dib Youssef, a 33-year-old man from the village of Beit Sira, described how he had been kicked "between the legs" by a soldier and prevented for hours from getting medical attention.

Mr Youssef eventually had to have an operation for the removal of one testicle and produced a medical report to prove this.

By the time I reached the camp, it had been placed under curfew and Israeli soldiers prevented me from going in.

One of them claimed that only a few people had been arrested after throwing stones and that no one had been given more than a tap on the arm with the sticks which, in any case, were made of plastic.

Several of the men, however, were carrying rough wooden truncheons. When he saw me fingering one, the soldier added: "We have to use these so as not to use guns."

There seems little doubt that such beatings have been used indiscriminately in an attempt to intimidate the population throughout the occupied territories.

SECTION III

FINANCIAL TIMES SURVEY

Australia is a vast continent with a small population. This year's bicentenary leads to thoughts of the future.

The odds are that Anglo-Celtic Australia will sooner or later vanish, to be replaced by a thriving new Eurasian nation: the inscrutable land of Oz. **Joe Rogaly** explains

A nation of sojourners

CONTENTS

Pictured left: Sydney Harbour. The QE2 arrives in Sydney next month as part of the celebrations. Picture by Glyn Genin

IT IS not certain that the Australia we all know and some of us love has a future. After 200 years an overwhelmingly British presence has been implanted on a boomerang-shaped corner of this vast, empty, continent in the South Pacific - but that is about all. In rather less than two centuries from now that presence may have melted away, or, perhaps more likely, it will have become more Asian than either British in particular or West European in general. The jury of history is still out.

So much is understood by some Australians, and not a few Asians. The highly intelligent Labor Party politicians who are currently in control in Canberra are aware of it. Some of the newly-rich businessmen know it in their hearts, even in that furthest outpost, Perth. The Hong Kong Chinese, for whom Sydney is on the list of suitable bolt-holes along with Vancouver and San Francisco, are part of the process. The Japanese are making their bid in yen. The Vietnamese boat-people (many of them ethnic Chinese) have already achieved a number of successful landings.

The average white Australian, serene in lotus-land, happy with his beer and his barbie, is probably too pragmatic, too circumscribed by a tendency to see only the immediate, for any serious consideration of such matters.

This perception of the tenuous nature of the Australian polity is not only the product of calculations about past and likely future migration, significant though that factor undoubtedly is. Four other considerations are at least as important. They are, in no particular order: the nature of the land and its ecology, the place of Australia on the global map, the size of the country and, of course, the history of the European presence. (The dreadful fate of the Aborigines is tied up with the latter.)

Those five ingredients have determined the sixth, which is the economic outlook. In spite of the recent emergence of a number of swashbuckling international entrepreneurs, Europe's Australian children do not seem well suited to compete in a Pacific Basin that houses such existing centres of energetic excellence as Singapore, Hong Kong, South Korea, Taiwan and Tokyo, with more coming up in the rear. Unless they do learn to compete, they will remain dependent upon commodity exports, mainly to those very competitors. Can an Asian takeover bid be far behind?

It could be that this picture is far too apocalyptic. One way of judging that is to study its determinant parts. The most evocative is the nature of the land.

As good a place as any to start is on the Yellow Water billabong, which lies between Jim Jim creek and the South Alligator River, high in the Northern Territory, and just "down the road" - that is, 200 miles or so - from Darwin. (It was Charles Darwin, on board HMS Beagle, who wondered whether there had been not one Creator but two - one for Australia and one for the rest of the planet.)

If you take a boat and put-put around the billabong it becomes clear that if there is something special about Australia, other than the fact that it is very far away, it is its landscape. It has the soul-searching loneliness of the desert, although by no means all of it is wasteland.

A distinguished Australian historian, Professor Manning Clark, refers visitors to the passage in the 39th psalm: "...for I am...a sojourner, as all my fathers were" as expressing the feeling of impermanence experienced by most immigrants to these shores since the first European wave arrived in 1788. He believes that Australians are becoming more settled now, more self-confident. Perhaps. It certainly does not feel like that on the Yellow Water billabong. Imagine:

We are in the middle of Kakadu National Park, in the sauna-bath heat and humidity of the great build up to the monsoon. Out on the muddy pond a crocodile lazily lifts his eyes and snout, decides it is too hot, and sinks back. It is said locally that a saltwater crocodile can live for 250 years. Was this one aged 50 when the first British convicts headed for Botany Bay, 2,000 miles to the South-East? He is too small to be so old, but this is a place for such reflections.

Look down. You see a perfect mirror of the overhanging forest. On that side is a tall fanpalm, its trunk running straight above and below the water. On this, perhaps, is a stray mangrove, its roots doubly fangled by the mirror effect, or a paper-bark, twice ready to shed its skin. Birds of a thousand colours fly within the undergrowth: a bright blue-and-orange forest kingfisher here, a stone curlew there. Another creature, resembling a midget black hen with blood-red head, flies, little legs outstretched, to a further lily leaf. A kookaburra laughs.

A short way down the billabong the bank opens out. Flocks of black-and-white-banded magpie geese are busy feeding in the tall grasses. The Jabiru, Australia's version of the stork, struts past a couple of pelicans; overhead a great white egret floats down in a graceful curve. The absence of any urban sound is deafening. Stop the boat, and only the busy hum of the outback, broken by the cries of the birds, can be heard.

Driving home, you spot a pack of cheeky wallabies watching from the roadside, a goanna (which feeds on crocodile eggs), and, standing sentinel, the incredible frill-necked lizard, a shrunken pre-historic monster if ever there was one. Some 250 species of birds, 50 of mammals, and 75 of reptiles have been reported in and around Kakadu, while new ones, unknown elsewhere, are still being discovered.

No wonder most Australians are unclear about how long man has been or will be present on their wilderness-continent. If few have ventured beyond their eastern belt of cities, few can be unaware of what seems to them to be the great emptiness that lies behind them as they face the sea - "miles and miles of buggerall" as they put it, inaccurately, in the bars of Sydney. It is hardly surprising that until, say, a decade or two ago older Australians would refer to England (or Ireland) as "home" while even now, in some remote towns, the British High Commissioner is greeted with a curtsey. Such absurdities may be fading, but the fundamental conundrums of the landscape remain.

Delusions of grandeur

Stick with the land. It remains the key to understanding Australia, particularly as its inhabitants contemplate their future during the bicentenary year. Anyway, the rest of us always need to be reminded of just where the continent is placed as well as how vast it is.

Darwin, for example, is nearer to Djakarta than it is to Melbourne, Sydney or Brisbane. It is about as close to Sydney as it is to Singapore and Manila. (It is up on these northern shores, between Darwin and Cairns, that the Queensland and Northern Territory Aerial Services company escorted the first flying doctor to a patient in 1928; the tiny airline later abbreviated its name to Qantas.) The neighbouring Asian cities, plus Bangkok, Hong Kong, Taipei, Seoul and Tokyo are the important places on the regional map. If geography alone were to determine matters, Australia would without quibble be an Asian continent.

The fact that it is largely populated by immigrants from immensely far-away Western Europe seems to change that perception when you are among them, but not when the size, and emptiness, of the land is recalled.

Darwin is the capital of the Northern Territory which has an area equivalent to France, West Germany, Italy and the United Kingdom combined. Yet the total population of the NT, 150,000 or so, is that of a moderate-sized industrial town in Europe. Western Australia, hard by, is about the size of India. It contains a mere 1.5m people. When you fly across the continent it is not unlike flying across the Atlantic - or the Sahara. Australia as a whole is almost exactly the same size as the continental United States, but its population, most of which is to be found in suburbs strung down the eastern coast, is less than that of the state of Texas, and only a million or so more than that of the Netherlands.

The land fills the Australian imagination: the myth of the outback, a place which is rarely visited, features strongly in indigenous Australia literature, and in the landscapes of painters like Sydney Nolan and Fred Williams. It is all terribly misleading, with the consequence that even native Australians suffer from periodic delusions of grandeur.

This can have unfortunate effects on economic policy. People forget that some 70 per cent of the land is desert or near-desert, or that, elsewhere, there are severe and unpredictable droughts. At the turn of the century, for example, the sheep population, the foundation of the economy, was halved. The most recent extra-long drought hit south-eastern Australia at the start of the present decade, with devastating results. (A certain species of central Australian frog has learned to store enough water in its body to last for up to 18 months without a drink. The average Australian cannot manage this.)

Australia

200 YEARS OF NATIONHOOD

1788-1988

About 40 per cent of the continent lies to the north of the tropic of Capricorn. The Aborigines have long been accustomed to it, but even with modern air-conditioning, it is doubtful whether large numbers of Europeans will ever be willing to live and work successfully in the heat. At best, there would have to be a very high wage incentive, or no work further south. Over the years Chinese, Polynesians, Afghan camel drivers and others have been brought in as labourers, and some repatriated. The tropical north still remains sparsely populated, even by Australian standards.

The modern Australia is a series of long narrow strips, each composed of a collection of suburbs running down the long coastlines at Brisbane, Sydney, Melbourne and Adelaide, with the Perth strip tucked away on the opposite corner of the continent. Together, those five conurbations contain close to two-thirds of Australia's people.

They live in excellent climates, conducive to healthy outdoor pursuits, with lots of time for sports and leisure. They speak the language of the playground: barbecue is barbie, university uni, journalists journos, Hong Kong Honkers, politicians pollys. Early Friday beckons and while it would be not entirely fair to say that Australians do not work hard, many seem more at home pottering with their boats, or taking a barbecue down to the beach, than in offices or workshops. (One of the constraints on the tourist industry, for example, is the "penalty rate" wage that must be paid by hotels and restaurants for weekend work.)

Some Sydney cynics assert that this suburban majority, quietly-spoken, essentially conservative and decent, does not care a fig for either the environment or the outback. Maybe so. But in the search for an Australian identity, it is the only home-grown measure of difference around. The reason is to be found in the ingredients that make up the Australian population.

Dreamtime Australians

The original dollop of population was provided by the Aborigines. Nowadays they matter little in numerical terms, or as part of the ethnic mix, but a great deal when it comes to the modern Australian consciousness, both of the land and its history.

The Aborigines themselves see these matters in their own unique way. Before humans appeared there was the Dreamtime, a past-present-future continuum. Spirit creatures, man-like in behaviour, roamed the Australian earth and made the rules for living. They then turned into their current forms - rocks, trees, animals. The spirits live on in the generations of Aboriginal tribes. Thus each and every part of the land and its natural inhabitants is revered for the myth it represents. The land is therefore sacred and, the way they see it, it all belongs to the Aborigines.

It was impossible for the first British governors to grasp any of this. They might have understood a war-like tribe, led by a king or two, as in the case of the Maoris in New Zealand, (with whose North Island chiefs lieutenant governor William Hobson was at least able to settle the Treaty of Waitangi). But it was simpler to regard Australia as *terra nullis*, empty territory. The first Governor, Arthur Phillip, was under instruction to see that the newly-arrived British convicts and sailors lived "in amity and kindness" with the native inhabitants, and there is evidence that he made an effort to enforce the ruling.

It turned out otherwise. The slaughter began very soon, as settlers spread beyond the reach of early Sydney, and it continued for most of the 19th century and the early part of the 20th. Imported diseases, especially smallpox, contributed to the near-extermination of the people originally referred to by the British as "Australians". The people referred to by black Australians as "Yellowfellows" - mixed-bloods - were offered assimilation in parts of white urban Australia, but most black Aborigines were confined to reserves.

In consequence their numbers, never precisely recorded, have dwindled to perhaps 50,000 full-bloods and, depending on your definition, three to five times as many mixed-bloods. This is but a fragment of a continental population of some 16m, yet its importance to the Australian psyche is disproportionately large. It impinges on those whose sense of history requires a justification other than raw conquest for white Australia's existence, and it has provided both a continuing focus for the Australian Left and a source of international embarrassment for present-day Australian governments.

The revival in Aborigine fortunes began in the 1960s. It has proceeded apace. In 1963 educated Aborigines, mainly "yellowfellows", began a civil rights campaign copied from American blacks. In 1967 Australians voted by an overwhelming majority to pass control over Aborigine affairs to the federal government rather than the often-reactionary states. In 1976 a law providing for aboriginal land rights in the Northern Territory began a process by which, so far, nearly a third of that vast area is under the control of Aboriginal Land Councils, which are financed by mining royalties. An aboriginal, Neville Bonner, won a seat in the Senate in 1971. Two Aborigine representatives sit in the Northern Territory legislative assembly.

The sacred monument known to whites as Ayer's Rock has been returned to Aborigine ownership. As in Kakadu National Park, much of which is also theirs, the Federal authorities have accompanied the grant of land rights and land councils with arm-twisted deals giving, for example, the management of the park over to a federal service.

Some tribes have seen the light: the motel at Yellow Water is managed by the Four Seasons group, on behalf of the Gagadju people, whose cash flow comes from mining royalties. A second motel, which has apartments laid out in the shape of a crocodile, is being invested in by the same tribe, with the same management. The Gagadju are among those whose ancestors painted fish and fierce gods on the rocks at nearby Ubirr and Nourlangie. These paintings, only fully understood by those who are clear about the Dreamtime, are primitives whose wonders are now seen as sufficient to call the rocky ledges "world-class art galleries". Many visitors concur.

It is not easy to draw these threads together. The story does not make sense. Much is being done, and much spent, to improve the Aborigine lot - yet they remain the worst-educated, most poorly-housed, and least healthy segment of the continent's population. You still see drunks lurching in the streets of Darwin. A spate of mysterious deaths in jail cells - suicides? - has broken out. Their infant and child mortality rate is 26 per 1,000 births, against 9.5 per 1,000 for white Australians.

In Sydney new Right theorists point out that aboriginal unemployment soared when it was made illegal to pay less than the minimum wage. Others claim that they are being encouraged to rot on welfare, like the American Indians; yet others that the number of people proclaiming themselves to be aboriginal shot up as more social benefits became available.

The next step is far from obvious. You could say that the grant of land and white-liberal administered councils to manage it is either paternalistic or copied from South Africa's Bantustans. If you argue that a better alternative is assimilation of individuals into modern Australia the reply is that it has been tried and found to fail and great improvements in health and education are necessary before it can be tried again. Some of the white liberals who work among Aborigines seem to see them as part of the ecology, to be preserved in original form along with all those birds and lizards. The rednecks of the Northern Territory, who abound, complain that the Aborigines want it both ways - their own land in which to preserve their own culture, plus white-financed roads and social services.

It is hard to see how the Australian Government can get it right. As part of the build-up to the bicentenary celebrations an unspecified form of "compact" has been promised. The fact that the land was originally owned by the Aborigines, and has been taken from them by conquest, was officially acknowledged just before Christmas. The compact will probably be a substitute for the occupation treaty that never was. Australians might swallow that; what they fear is that it will be accompanied by either large sums in compensation for past wrongs or a form of words that allows Aborigine tribes to sue.

Either way, the presence of the Aborigines is continuing evidence that the *terra nullis* was occupied for, say, 40,000 years before 1788. Then along came the British.

Just a moment, some might say at this point. We have heard this story before - in regard to the United States of America. The American settlers did not prove to be transients or economically weak. The (originally) British implantation over there conquered its environment; the US grew to become leader of the Western world. Why is Down Under so different?

One of the several fundamental differences between Australia and the United States is that their populations come from different sources. The ingredients in the melting-pot are not the same. The first immigrants, the Aboriginals, are but a tiny part in the mix; if, as some estimate, there were a million or more of them in 1788, they are numerically insignificant now. Only 1.5 per cent or so of Australians claim some aboriginal blood, as against 3.5 per cent of Americans who say they are all or part Red Indian.

The contrast is most apparent when you look at where the two streams of mainly European immigrants came from. (The US Census Bureau has calculated the "ancestry" of America's population in 1981. The Australian 1986 census results are, so far, incon-

Continued on page 2

Selling the environment

Australia calls its environmentalists "greenies". They have done pretty well, with important consequences for both the federal structure of the state and the resource-based economy.

Take federalism first. The story begins in the mid-1970s with a campaign to prevent the Tasmanian Hydro Electric Commission from building a dam across the Franklin River. A beautiful rain forest and a magnificent valley were threatened. It was thought that the greenies, led by a Ralph Nader-like campaigner named Bob Brown, could not win. The HEC is, after all, the major power in Tasmania. But Dr Brown is a man driven: his zeal shone through when we breakfasted in Melbourne. He used both classic body-blocking methods of protest (many supporters were arrested) and a heavy dose of facts, which he fed to the media.

In March 1983 the Labor Party won the election. Greenie votes are believed to have helped. The new Prime Minister, Mr Bob Hawke, paid his debt by taking the Franklin dam case to the High Court, which decided that the Federal Government could overrule the Tasmanian state government because Australia had ratified the World Heritage Convention. This made the Franklin dam a matter of foreign policy.

Now one of Australia's constitutional weaknesses is the power of its states, which is far greater relative to the centre than are the more clearly defined powers of US states. Washington gradually extended its writ by using the clauses in the US constitution relating to interstate commerce; Canberra has been doing the same through "foreign policy".

So the environment has become a matter for big government. An annual "state of the environment" report lists the year's doings. There is a knock-on to the resource-based economy:there are already five other World Heritage areas besides Kakadu.

The Great Barrier Reef is perhaps the most famous. Its fate is an object lesson in any study of how tangled the greenie issues are with Australia's desire to extract its wealth from its land. Some conservationists believe that the trample of tourist feet will destroy either the reef or the areas offshore. Maybe.

I spent a weekend at its southernmost tip, in the Heron Island resort now owned by P&O. We saw a giant turtle crawl up the beach, spend painful hours digging a hole with its flippers, and lay eggs in the sand, before covering them up and trundling down again. The underwater life was as varied and marvellous as the above-ground life in the nature reserves: giant clams, parrot-fish, barramundi, a (thankfully) small shark, stingrays, and, everywhere, the extraordinary coral. You walk ankle deep in water across the reef during low tide and snorkel over it in high tide. At Heron, the balance between national park and commerce has been nicely struck, it seems.

It is by no means certain that Australia will be able to hold that balance. As one canny Brisbane lawyer put it, "you can sell the environment to the voters - if they see tourist money in it". The present policy is to preserve certain parts of the reef in its virgin state, but to allow holidaying, scuba diving, and both recreational and commercial fishing in selected zones. It is such an outstanding global attraction (the tiny town of Cairns expects half-a-million Japanese tourists next year) that the Federal government is already muttering about not killing the goose that lays the golden egg.

Dr Brown, now a member of the Tasmanian Parliament, believes that the greenies will manage to stop what he sees as the worst depradations of their next primary targets, the loggers. The campaigns began when the Japanese began to buy Tasmanian woodchippings in large quantities; now they are planting Australian eucalypts in Brazil. Agreements to export are given only after an "environmental impact statement" has been approved. There is some replanting ("although you don't get the tall old trees that house owls, bats, and marsupials") and the greenies are encouraging forestry on derelict farmland.

He thinks that the rainforest sawloggers, who take wood for their own use, not chippings, will be stopped, on the precedent of the Franklin dam. "Logging was running down anyway," he says. Since we met a small but significant area of Queensland rainforest has been declared off-limits.

JR

Continued from page 1
clusive. The Antipodean part of the following analysis is therefore dependent upon recent estimates by Dr Charles A Price, an Australian National University demographer.)

Australia is some 44 per cent English by ancestry; the US is 26 per cent. Australia is 17 per cent Irish; the US 21 per cent. Throw in the Scots and the Welsh, and Australia is seen to be still three-quarters "Anglo-Celt"; the US only just over half. America has its originally African blacks (11 per cent) and its Latins (just 7 per cent claimed, no doubt excluding illegals); Australia has very few inhabitants whose origins were in either Africa or Spain. Yet it is likely that the most important difference between the two melting-pots is that the US is as German as it is English. Precisely the same number of Americans, 26 per cent, claim some German ancestry as do an English forbear. Australia's Germans represent under 4 per cent of the continent's people. It is little wonder that the products of the melting-pots differ so much.

The major migration to Australia that began in 1788 came from the British Isles. For a long time the larger proportion of those new arrivals came from England. Australian historians still argue about the extent to which British policy in the late 18th century was driven by a desire to rid England (and Ireland) of convicted criminals. It matters little. For whether or not you accept that the search for a Pacific base, or the desire to find new sources of flax for the Royal Navy's ropes and tall pines for its masts were strong elements in London's calculations, the large-scale shipment of convicts to Australia is undeniable. Readers of The Fatal Shore, by Robert Hughes, should need no further convincing.

Of course convicts had been shipped to the American colony before they were sent to Australia, but a far larger proportion of America's influx was based on voluntary emigration. The new world was much nearer, and land over there was a fraction of the price demanded in Australia. The early Australians were obliged to go to "Botany Bay", either as prisoners or gaolers. It took a while for significant numbers of free settlers to follow them, and many of those were from the start given assisted passages. The first really major expansion in self-financed, voluntary arrivals did not take place until the gold rush of the 1850s doubled the population in a single decade.

The overwhelming British predominance in immigration lasted for more than a century-and-a-half. During that time the United States was taking in immigrants from all over Europe, and particularly from Germany. It also imported black Africans as slaves. The old "White Australia" (which really meant British Australia) policy is not long buried: it was part of the Australian Labor Party's platform until the mid-1960s.

Until then, by all accounts, Australia suffered from some of the worst characteristics of Little Englandism: a narrow, provincial outlook, a tendency to see the world through Anglocentric eyes, a belief that people who came from the other side of the English Channel (that is, 11,000 miles from Sydney) were inferior or unworthy.

The influential book, Australia, by Sir Keith Hancock (published in 1930) saw as one depressing result an Australia that had adopted the "middling standard" that Tocqueville had observed a century previously in America. Australians, with their direct way of speaking, would not expect an objective observer to say other than that many of the characteristics of Little Englandism still linger on, "middling standard" and all. Hancock perceived two Australian "peculiar complications" that made matters worse. In the US a strong local government flourished. In Australia there was no effective barrier between the isolated individual and the central (that is, state) power. With so little civic duty to do, "a great part of the spontaneous energy of the Australians is spent in the pursuit of pleasure," he wrote.

The second "peculiar complication" noted by Hancock was resentment of the better-off. Australia was settled in the age of the Rights of Man and of the Communist Manifesto. Individual enterprise did not always thrive. Today's New Right theorists point out that the policy of subsidising immigration continued the long tradition of relying on support from the Government, which began with getting food supplied "off the store" after the First Fleet landed. Hancock comments:

"This, then, is the prevailing ideology of Australian democracy – the sentiment of justice, the claim of right, the conception of equality and the apppeal of Government as the instrument of self-realisation."

The Australians call it "fair dos".

Another Australian tradition arises partly from the fact that men outnumbered women until 1916, although the rough life of the early convicts and, later, the squatters and diggers, contributed to it. This is "mateship", which means that you do not try to rise above your fellows but always support them. Australia's love of sport and life outdoors is an outcome of much the same phenomena.

This set of historic ethics has begun to change, partly because the population mix has been leavened. The biggest immigration in Australia's history took place after 1945; of 4.5m arrivals between the end of the Second World War and December 1986 only 41 per cent were from the British Isles. This was a revolution for British-Australians. Some had seen Chinese mineworkers before, but the large-scale arrival of communities from Italy (8.5 per cent), Greece (5.1 per cent), Yugoslavia (4.2 per cent) and similar countries, not to mention places like the Lebanon, Vietnam, and Sri Lanka, transformed the nature of antipodean society.

No place like Home

Little England, narrow, conservative, often avaricious and cruel, yet at times glorious, reigned in the antipodes for four-fifths of the past two centuries. During much of that period London was the capital of Australia, although its influence waned steadily, until it finally vanished.

It was London that decided to found the penal settlement which is now celebrating its bicentary, London that allowed New South Wales to become a colony in 1823 and London that subsequently promoted it, along with Victoria, South Australia and Tasmania (then van Diemen's Land), to the status of self-government in 1851.

Yet the seeds of change were also there from the start. As early as the 1810s and 1820s newcomers had noted that the first native-born whites, then beginning to reach maturity, were tall, slender, fair, and very strong, if a trifle clumsy. These built-in Australian differences grew, and became more complex, as first the squatters and subsequently the diggers developed into new British subtribes speaking their own dialect of English. In 1861 just under half the population was dinkum Australian: born over there. Forty years later four-fifths of the Australian population was native-born.

A sense of independence was also fostered by wealth, which came from sheep and gold. By the time the newly self-governing colonies were ready to ask for federation, Australians were enjoying one of the highest per capita incomes in the world.

Their most profound political arguments took place between the Irish Catholic immigrants, who fought vigorously for parochial schools, and the various Protestants of English and Scottish origin. The Irish had been the worst-treated and most rebellious of convicts; they became the first angry proletariat of Australia, and, in due course, they came to control the trade unions. Their principal domestic enemy, which had been spawned by the very England that had been so unfair and brutal towards their forefathers, was what was termed the Protestant ascendancy.

The Protestants were themselves divided between free traders and protectionists, so in the end the Irish did a deal with the latter: protection in return for an entrenchment of trade union rights. When the Commonwealth of Australia was proclaimed at the turn of the century (Queen Victoria signed the bill in July 1900) the deal was sanctified. The new federal state would be based upon three home-grown articles of faith: White Australia, upon which all agreed; protectionism; and, for the Irish-led trade unions, compulsory arbitration in trade disputes.

Thus, at the very beginning, White Australia was a major force in bringing the six squabbling colonies together, for even then they feared Asia – the "Yellow Peril" – more than they sought to outwit one another. In consequence, Little England was entrenched for the first half of the 20th century, thus continuing to protect white Aussies from competition in the labour market.

The second article of faith, protectionism, ensured that Australian manufacturing and, later, service industries were to develop in the worst possible way. Everything was to be cost-plus, and, in consequence, often second rate. Australia is still paying the price. Their relative per capita income has sunk steadily in the OECD league tables, their overseas debt has shot up to one of the highest.

The third element, arbitration, confirmed the remarkable place of Australian trade unions in the body politic. The Commonwealth Arbitration and Conciliation Commission was established by the new federal parliament in 1904. The commissioners – judges – have ever since been political appointees, able to ordain the wage rates and conditions of work for entire industries, down to the minutest detail. For most of the present century their work has been governed by a 1909 decision of Mr Justice Higgins, which was based on the premiss that "if a man cannot maintain his enterprise without cutting down the wages which are proper to be paid by his employer... it would be better that he should abandon the enterprise". In spite of these made-in-Australia tenets of faith, London remained in some sort of charge until at least the early forties. As the engaging Australian historian Geoffrey Blainey comments in The Tyranny of Distance: "Australia was a self-governing country within the British Empire, but outsiders who judged Australia by her behaviour rather than by her constitutional status were entitled to think that she had no independence and was in fact a British colony."

You can savour the gung-ho British spirit at its best if you visit the Hall of Memory at the war memorial in Canberra. Fair, slim, tall, strong young heroes are etched in stained glass beneath mottoes like Candour, Comradeship, Ancestry, Loyalty, Coolness, Devotion, Patriotism, and Chivalry. Along the corridor the map of Gallipoli is spread out. The Aussies fought and died for London there, against the Turks, as they had previously done in China, and in the Boer War. A year and a half after Gallipoli, in September 1916, they lost 23,000 soldiers fighting for Britain and the Commonwealth at Pozieres. They died as volunteers for overseas service, following the success back home of a fierce, mainly Irish, anti-conscription campaign.

Alone in the world

The umbilical snapped in 1942, when the Japanese bombed Darwin in the Northern Territory and Broome in Western Australia. It became plain that only America could come to Australia's assistance. Not even the revered Royal Navy could defend that great, helpless, continent, nor did Churchill have forces to spare. It was the US, under General Douglas MacArthur, that turned back the Japanese in New Guinea and the Solomons.

During the subsequent decades a number of shocking truths began to become apparent. Britain was not the mightiest power on earth. The Europeans – Britain, France, and the Netherlands – were retreating from their empires in Asia, leaving potentially threatening newly-independent states behind. Two new major powers – Japan and the United States – had suddenly arisen in the Pacific. Unbelievably, they soon supplanted Britain as Australia's major trading partners.

When the Second World War ended Australians realised how vulnerable their tiny (then some 7m) population was. The "Yellow Peril" was once again the stuff of nightmares. The chosen solution was to increase their numbers by immigration, from Britain if possible but from other parts of Europe if necessary. The largest assisted-passage scheme in Australian history followed, and continued for some 30 years.

Most of the non-British quarter of Australia's present population was brought in during that time. The cosmopolitan nature of its large cities, and Sydney and Melbourne in particular, is one result. You can eat better than when the principal national dish was meat pie and a beer. Night life ends later than in the days when most places shut at six. One more significant result is that a fresh vitality has been injected into Australian life; another is that "Little England" is rapidly becoming a mere memory.

For many years that memory was kept alive by Sir Robert Menzies, Prime Minister from 1949 to 1966. "He believed passionately," writes Professor Manning Clark in A Short History of Australia, "that the British had created the highest civilization and the greatest degree of liberty known to man". It is ironic that Menzies, a gifted statesman, enjoyed his long premiership partly as a result of the conservatism of the non-British immigrants his government brought in, and partly because of a deep split in the Irish Catholic part of the opposition Labor Party.

But White Australia's British dreamtime came to an end with a snap, when Gough Whitlam was elected Labor Prime Minister in 1972. For all his fiscal misfortunes, Whitlam was an important visionary. He campaigned, and governed, on the basis that Australia should stand on its own feet. It should pursue an independent foreign policy. It should be proud of its native achievers in the arts. The old "cultural cringe", born of a consciousness of the middling standard, was swept away. New Australian honours and decorations and a new national anthem appeared. The proud Australian that you meet in Sydney and Melbourne nowadays is a child of the Whitlam era.

Britain's entry into the European Community in 1973 was as much of a milestone along this road as had been Australia's participation in America's war in Vietnam. Today Australia is more metric than Britain. The former Church of England is now the Anglican Church of Australia. It is widely believed that the declaration of a republic is inevitable, although not imminent. London has become an irrelevance. Australia, its face misleadingly painted in American colours, is alone.

The golden fleece

Australia therefore depends more than ever upon its ability to earn its own keep. Its difficulty is that it is not quite ready to do that.

The story starts with John Macarthur, an officer in the New South Wales corps who arrived in Sydney in 1791, quarrelled with a succession of governors, and was sent home to face court martial in 1802. Following an enforced exile in England, he returned to New South Wales in 1807, having persuaded the British Government that fine wool could be grown out there. He was given 10,000 acres, and successfully introduced the merino to Australia.

By mid-century the golden fleece was earning enough to make the then tiny Australian population the richest in the world. As if that were not sufficient, gold was discovered in 1851, and heavily exploited for two further decades. In this way what was originally a dumping-site for convicts quickly became a source of great natural wealth. Wheat, cattle, and a variety of basic metals added to the growing pile of export earnings.

In the second half of the 19th cen-

Continued on page 3

Continued from page 2

tury Australia's income rose sharply, mainly as a result of wool sales, but also from beef and mining. Thus the land became the principal source of riches, although from the beginning the towns, and later the cities, attracted the bulk of the population: at the start of the present century just above half of its population was urbanized, compared with 40 per cent in the US.

The resource-based industries became increasingly capital-intensive, and increasingly efficient; labour collected in the towns where sheltered local manufacturing industries developed an intensively inward-looking series of micro-markets, in contrast to the global markets in which miners and pastoralists were obliged to operate. This remains the pattern today.

CB Schedvin at the University of Melbourne, an economic historian, sees the consequence of this as the most serious crisis in the economy since the early 1930s. "Plainly, economic instability continues as a major threat to our civilization," he said. The Schedvin thesis is that the world has changed since Australia could rely on a position of unique advantage as a supplier of food and raw materials, but that the necessary adjustments to the change have not been made.

In common with other economists and many businessmen he is at once appreciative of the efforts the present government is making to deregulate and (albeit slowly) remove protectionist barriers, and doubtful that their measures "are strong enough on their own to counter the forces of history". The worst thing that could happen, says Schedvin, is that another typical stroke of Australian luck, like the present gold boomlet, might once again destroy the case for fundamental change.

In a world in which the life of suppliers of basic materials is, to say the least, uncertain, most thinking Australians see the desirability of a strong rise in the export of manufactured goods; Schedvin, acknowledging the effect of the devaluation of the Australian dollar, suggests that "the price mechanism on its own will not be sufficient" to bring about the necessary changes. He wants more investment in science and technology.

Henry Ergas, an OECD economist living in Canberra, points out that Australia's post-war reconstruction plans were based on the belief that "small countries are big countries waiting to grow up". This "fallacy" (born of the continental delusion of grandeur) lay behind a series of post-1945 protectionist policies aimed at manufacturing self-sufficiency. If the markets were not there to provide economies of scale now, they eventually would be.

A paper he has written with Trevor Lee is a devastating critique of antipodean protectionism, albeit expressed in a careful OECD style. Australia's trade in manufactures is compared with that of "other small, high-income countries", like Canada, Finland, and the Netherlands. It comes out badly, particularly in "products where the scale of markets has an important influence on cost competitiveness". Ironically, the greatest single post-war blow against tariffs was struck by the much maligned Whitlam government in 1973. The present Labor Government, which seeks to distance itself as far as possible from Mr Whitlam's, has the best of free trade intentions, but is cautious in carrying them out.

Like others in Australian universities and boardrooms, Ergas expresses doubt about whether even a further lowering of tariff barriers, scheduled to be completed in the 1990s, is a sufficient condition for Australian recovery. He too is concerned about investment in industrial and scientific research and development. But there are two other fundamental problems.

One is the heavy element of state control of or regulation over electricity, gas and water, communications and transport. They are notoriously inefficient and an additional cause of high manufacturing costs.

The second basic concern is the state of Australian education. Of 19 OECD countries in a recent list, Australia ranked 16th, ahead of Spain, New Zealand and Portugal, in the scale of enrolment of youth aged 17 in school or apprenticeships. Even Britain just pipped Australia: it was 15th. (Don't ask who came first, but their capital city is not a million miles from Osaka.)

"Thus, while expenditure on education accounts for a relatively high share of Australian GDP, a large proportion of young Australians still leave school with no certified skills and little hope of acquiring any," says the Ergas-Lee paper, echoing the comment of practically every interview I had over there. It made one feel very much at home.

Their social democrats

This all adds up to a pretty daunting prospect for the little country now celebrating its bicentenary. The ground for hope is that they know the story, infinitely better than any outside reporter can. They also know what needs to be done. The question is whether sufficient structural changes are politically possible. Australia's present Labor Government is blessed with a number of extraordinarily intelligent ministers. Together with the Australian Congress of Trades Unions (ACTU), its leaders have captured the intellectual high ground just as if they were Britain's Tories.

The Treasurer, Paul Keating, manages to present a tough fiscal and monetary regime in the language of social partnership. Every Australian knows that he is a snappy dresser, a man who appreciates the arts (fine clocks are a hobby), a tough debater who can use the language of the streets when necessary – yet he remains the pillar of its Labor government, the cleverest politician around.

Bill Kelty, secretary of the ACTU, is also as smart as paint, and twice as charming. He is acutely aware of what happened to British trade unions, and indeed the British Labour governments, when their trade unions failed to adjust to reality. The Australian way has been to accept a steady reduction in real wages, plus a series of right wing policies (financial deregulation, tight fiscal and monetary control), in return for a strengthening of the ACTU's political position.

This goes a long way to explain the Hawke government's present stance. When you hear Bill Kelty on subsidies to state industries you get the impression of Margaret Thatcher in drag ("why should my members pay taxes to subsidise air travel?"); the similarities end when it comes to the arbitration system, or expenditure on the social services.

In short, Australia has the social contract that Britain's Callaghan and Wilson governments dreamed of - with the difference that Down Under the unions are actually delivering their side of the bargain. This is fine for the short term, but in the medium to long run it will surely help to perpetuate the high rate of social spending, and the detailed regulation of wages and conditions of work, that the Right in Australia sees as constraints on the emergence of an efficient economy based on a growing manufacturing industry.

The Hawke social democrats must pay attention to their own Left, which means a "soft" foreign policy and a pursuit of what neo-Powellite Cassandras like Geoffrey Blainey denounce as "multi-culturism". The latter has led to periodic fits of anguish over how many non-European immigrants to admit, and how to treat them when they arrive. The Anglo-Celtic majority is too overwhelming to be threatened by any such immigration in the present century, but Blainey and others look further ahead.

I asked every Australian I met, including politicians, academics, businessmen, trade unionists and others the same question: what kind of country do you think Australia will be in, say, 50 years from now? The unanimous answer was that it would be less Anglo-Celtic, with all save the followers of Blainey welcoming this. (Even the New Right economic theorists want more Asians in, to stimulate the economy.) The majority guess was that there would be an extremely powerful Asian ingredient in the Australian melting-pot. My own impression was that Anglo-Celtic Australia is too sunstruck to compete on its own.

The odds must therefore be that the principal manifestations of the British penal settlement of 200 years ago will sooner or later vanish beneath the foundations of a new, Eurasian nation. It could be successful, rich, and peaceful: the inscrutable land of Oz.

Crocodile's tale of gold forgone

The environmental debate is not easily settled when it comes to mining. An example of what can happen is to be found in Kakadu, where Pan Continental has the use of an enclave, a treaty with the local Aborigines, environmental clearance – and a total ban on its proposed uranium mining operations.

The enclave is at Jabiluka, about 25 miles north of Yellow Water. It is serviced by Jaja mining camp, a collection of comfortably-equipped prefabricated bungalows, with its own billabong. It is the one that millions of people saw in the film Crocodile Dundee. That film, which was about a spoof man of the outback acting out a wildly funny fantasy in Kakadu, is believed by Australians to have done more to put their country on the map than anything since they won the America's Cup in 1983. (We were advised not to walk down to the billabong, because it is restricted Aboriginal land – and, anyway, it is home to some 50 very large crocodiles. The advice was accepted).

The visit of Paul Hogan, his supporting stars, extras, directors, stuntmen and women plus camera crew is the most significant thing that has yet happened in Jaja – except, perhaps, their second visit, last summer, to make Crocodile Dundee II. Yet Jaja is sitting on some of the richest uranium ore in the world, A$20bn-worth at end-1987 prices, not to mention around A$200m-worth of gold. Pan Continental cannot mine the gold because it is not permitted by Mr Hawke's government to mine the uranium.

Apparently there is no way around this. In another nearby enclave, at the Ranger mine, the leaseholder is cheerfully shipping out the yellow ore (and no doubt setting aside the sums required to restore the landscape when the mine is worked out). But the present Australian government is apparently bound by an Australian Labor Party decision to keep the number of operating uranium mines down to three. This is clearly a victory for the environmental lobby, which produces both moral and safety (Chernobyl) arguments against such mines.

In one of the bungalows at Jaja a sculpted display shows how most of the stones removed to make way for the mine tunnels will be replaced as fill. A great lake is created by the extraction process, and then refilled and the original topsoil replaced. The last picture in the book produced for the local tribe shows the site exactly as it would be before the mining started. No dice.

Of course the mining companies of Australia are not really held back by the greenies. Pan Continental has other sites, notably the Paddington gold mine near Kalgoorlie in Western Australia, and interests in coal in Queensland and oil in Canada. The odds are that it will take out the Jabiluka uranium one day. The legislation providing for agreed exploration and mining in aboriginal lands was eased last year, in favour of mining. The Northern Territory alone is likely to produce just over A$1bn from its uranium, manganese, bauxite, gold, and other mines – not much compared to next-door Western Australia, with its freewheeling Perth-based miners, but a significant contribution for a territory with a population of about 150,000.

Yet the white-conservative majority of that population feels held back by the edicts from Canberra. It wants the territory, which is self-governing, to be given the status of an Australian state (it would be the seventh). The likely outcome can be judged by the passionate words of Mr Michael Gamble, the executive officer of the territory's chamber of mines. He would bring the land transferred to Aborigine ownership back under state control. It is unlikely that their Land Councils would last very long. He would permit mining and exploration on their land and in the national parks - and bring in skilled mining engineers from South Africa to get on with the job.

In a territorial government "options paper" on statehood it is made clear that much of the above is the preferred policy. Compensation to the Aborigines would be paid by Canberra. Since the advent of statehood would probably produce 12 new backwoods-minded Senators in the Australian Parliament the proposal is a non-starter, at least while the Labor party is in power. But the stark contrast between those who would exploit the land and those who would protect it, with the federal government striking a cannily commercial balance, is all too clear in Darwin.

JR

POLITICS

Unavoidable issues

POLITICS in most democratic countries has an element of theatre about it, and Australia is no exception. Many think it is of the soap opera variety: often shallow, starring familiar figures, with plenty of noisy arguments but few big issues, and easy to pick up again after an absence.

The country's 200th anniversary should provide an opportunity for its 16m people, however, both to look back reflectively at the past and think more seriously about the future. Whether that opportunity is grasped is another matter.

The most difficult legacy to grapple with is the ignominious fate of the indigenous Aborigines. Six months ago it was a non-issue, but as the bicentennial approached it became unavoidable, hastened by the inexplicable phenomenon of Aboriginal deaths in custody, which have reached more than 100 since 1980.

Radicals among Australia's 225,000 Aborigines say they have nothing to celebrate and have duly begun implementing plans for vocal protests. The government has meanwhile recognised for the first time that Aborigines were the previous owners of the land and has promised a "compact" which better recognises their place in Australian society.

As the year opened, the federal minister responsible for Aboriginal affairs decided to boycott all official bicentennial functions. Another said Australians had to confront the shame of their past if they were to celebrate the glory of the past 200 years.

The political question for the future is more prosaic: should Australia become a republic, abandoning the British tie through the Queen? Though not the hot issue it has been, it too is unavoidable as Australia enters its second 200 years and approaches the 21st century, for it is intimately bound up with Australians' sense of national identity.

The fact that neither of these questions has featured heavily in routine domestic affairs over recent years says something about Australian politics. So too does the muted debate on other key questions like big government, corruption, immigration, trade union power or industrial protection.

That is because Australian politics has more to do with personalities, style and the raw exercise of power than with visions or policies. Apart from the singular question of whether the economy is generally being managed in voters' best interests, political issues in Australia are of the moment, rarely lasting more than a week and judged, if at all, on a "who won, who lost" basis.

It is a commonplace that Australians are healthily mistrustful of their politicians. Yet there is no doubt that they are fascinated by them. Of all public figures, it is the politicians who provide them with their daily fare of gossip and complaint.

The media are crucial to the process. Highly parochial but among the most competitive in the Western world, Australia's Press forms one of the most powerful institutions grouped around Australian government – the others being the bureaucracy, the trade union movement and pressure groups like businessmen, farmers and environmentalists.

The principal public focus of political conflict outside election time remains the federal parliament in Canberra, although its public standing is a matter of opinion. Though a British import, the House of Representatives' position is complicated by a Senate which is more powerful than the House of Lords and, more generally, by Australia's federalism which replicates the system in the various states.

To the country's credit, federal parliamentary proceedings are broadcast live on radio. Because of its raucousness, the verbal jousting parliament is known more for the depths it plumbs than the heights it scales.

Mr John Howard, leader of the opposition, once produced a list of the insults hurled by Mr Paul Keating, the Treasurer in the present Labor government. The 53-item catalogue included words like sleazebags, harlots, frauds, boxheads, clowns, pigs, mugs, criminals, dullards, perfumed gigolos, stunned mullets, stupid foul-mouthed grub, alley cat, scumbag, thug and gutless spiv.

If this makes unappetising reading, it would be unwise to read too much about Mr Keating into it: he is probably the government's political and intellectual backbone, certainly on economic policy, and is currently regarded as the heir apparent to Mr Bob Hawke as Prime Minister.

Because of its raucousness, the parliament is known more for the depths it plumbs than the heights it scales.

Obviously Mr Keating gives as good as he gets, but the more important point is that he received his education in the country's toughest political school – the right wing of the New South Wales Labor party – and it is there that the power base of the present government is to be found.

While this also highlights the factionalism which pervades the Labor party, it serves to underscore the fact that, under Mr Hawke, the party has successfully submerged these differences to win a record three elections in a row.

That makes a powerful contrast with Mr Gough Whitlam, whose sacking as Labor Prime Minister in 1975 by the Governor General is still regarded as the most significant domestic political event in Australia's modern history – on a par with the assassination of President Kennedy in the US.

How Mr Hawke has secured his remarkable record is a matter of conjecture. He has put much store in consensus leadership, which some have attacked for not being leadership at all and others have said has meant a corporatist style which has given too much power to groups like the unions.

Guided by a powerful core group of young and determined ministers, Mr Hawke has also moved the Labor party well to the right, capturing the country's middle political ground in a naked display of pragmatism which has outwitted both the Labor left and the conservative opposition without apparently losing traditional support in key areas.

The opposition, a coalition between the Liberal and National (formerly Country) parties, has helped Mr Hawke considerably by nurturing its own internal divisions, exactly paralleling those experienced by Labor in the 1950s and 1960s when Sir Robert Menzies dominated national politics.

The pendulum can always shift. Australia suffers the burden of too many elections, which recur every three years nationally and every three or four years at state level. The apathy which this tends to breed is limited through compulsory voting, but a constitutional change extending the federal term to four years is to be put before Australians this year.

According to one jaundiced view of the country's politics, Australia has contrived to give Canberra the money, the states the power, and the local authorities the problems. Whatever the case, Australians agree the country is over-governed. But here, as elsewhere, vested interests abound. People therefore think little can be done about it. By definition, change comes slowly in a conservative country.

Chris Sherwell

The foreign affairs tightrope: to be both part of the western alliance and independent on the world stage

Regional stability heads new priorities

AS IN defence, so in its foreign policy, Australia is adapting to meet a changing world.

The gradual shift from dependence on Britain and the US, which has been the principal feature of the last 40 years in the country's defence posture, has been reflected in changing foreign policy priorities.

With its immediate neighbours no longer colonies and thus potentially more volatile, Australia is above all concerned to ensure stability, and its own pre-eminent political and military position, in the region.

Second, is the growing importance of fostering economic and trading relationships established over the last 20 years with north-east Asia – Japan, above all, but also China.

In the wider world, trade issues are also vital, as the recent amalgamation of the Department of Trade with the Foreign Affairs ministry in Canberra underlines. It is the new ministry which directs the country's drive in GATT against the farm subsidies imposed by the European Community and the US.

These trade issues have in turn helped make relations with Europe and with the US less straightforward. Already Australia is treading something of a tightrope between the evident and continuing desire of its people to be part of the western alliance and at the same time to exercise greater independence on the world stage.

Within its own region, Australia has no natural allies, with the exception of New Zealand. As Dr Stuart Harris, Secretary at the Foreign Affairs ministry notes wryly, this complicates the exercise of diplomacy.

Relations with Indonesia, physically much closer to northern Australia than that part of Australia is to Canberra, have never been easy, while the importance of stability in neighbouring Papua New Guinea, until recently administered by Australia, remains critical, especially with increasing Australian investment there.

Further afield, Canberra seems to maintain a relatively relaxed though watchful attitude towards potential disturbers of the peace. Dr Harris, who recently accompanied his Minister, Mr Bill Hayden, to Moscow and is impressed by the attachment to glasnost of at least the senior foreign affairs bureaucracy there, says he has been interested to note not how much the Soviet Union has "meddled" in the Pacific, but how little. Formally, despite earlier fears, there is little more than a ("scrupulously observed") Soviet fishing agreement with Vanuatu.

Last year there was a flurry of concern about allegedly Libyan-financed low-level opposition activities in a number of Pacific states. Libya's motive, according to Mr Hayden, was to "tweak France's tail". If anything, Canberra officials seem more concerned by their inability to persuade Paris to see eye to eye with Australia in the Pacific than they are with more obvious potential adversaries. Sentiment against France's refusal to grant independence to New Caledonia, itself linked to the continuation of French nuclear testing on the Mururoa Atoll, continues to run high throughout the Pacific. Canberra believes this is itself a potential cause of instability

Australia is one of the signatories of SPNFZ – the South Pacific Nuclear Free Zone Treaty, dubbed Spinfiz. "It looks like crankiness, but it's important to the region," says one official. The treaty enjoins signatories in broad terms not to make, store or test nuclear weapons there and invites the nuclear powers to respect its terms. The USSR has signed SPNFZ, France has not, but Canberra (somewhat naively) seems peeved that the US and Britain have also refused.

Australia does not produce nuclear weapons or provide facilities for others

Australia's attitude to nuclear matters, though far from simple, is a central theme of foreign policy. Gone are the days when the country played a direct and pivotal role in Britain's acquisition of an independent nuclear force. Today, Australia does not produce nuclear weapons, nor deploy nor provide facilities for others to deploy or test them. Neither does it, on principle, use nuclear power for electricity generation or to drive ships or submarines.

Yet the country has large reserves of uranium and mines it, in officially limited quantity. The uranium is sold to France, among others.

As controversial in some quarters has been the Labor Government's maintenance of the three major US military facilities at Nurrungar, Pine Gap and North West Cape. The latter is a naval communications station, while the former are both ground satellite stations.

Canberra clearly no longer believes that the presence of the US stations will ensure that America comes to the country's aid in extremis. Indeed, the bases have become controversial because of fears that they will ensure Australia is a target in nuclear war, as well as because they are seen to detract from the country's sovereignty. (For this reason, the Labor Government claims to have negotiated more say over, and participation in their use than was enjoyed previously.)

But the bases will remain, evidence of what is, ultimately, a close alliance, and despite the

Prime Minister Bob Hawke: publicly opposes Star Wars

fact that Nurrungar, in particular, clearly has a key role in formulating US nuclear war fighting strategy, and in the development of the Strategic Defence Initiative, or Star Wars, which Prime Minister Hawke publicly opposes. In mitigation, Mr Hawke emphasises the importance of Pine Gap in verifying Salt II, and any future strategic arms agreements.

The delicate balance which the Labor Government has achieved in its nuclear policy has also survived New Zealand's traumatic withdrawal from the 35-year-old tripartite Anzus Pact two years ago, following the newly-elected Lange government's refusal to allow nuclear armed or nuclear powered warships to use New Zealand's ports.

Last June, following a meeting between their Foreign and defence ministers, Australia and the US announced they would maintain the Pact, and would welcome New Zealand back into the fold when that "became feasible".

Publicly, relations between New Zealand and Australia remain close, although, privately, Australian officials are critical of the way their counterparts in Wellington handled the whole issue, believing that the rupture might have been prevented. They are particularly worried about the relationship as the two countries move towards closer economic ties.

On the world stage – apart from an anti-apartheid policy which has remained remarkably consistent between conservative and Labor governments – Canberra's chief preoccupation is with matters of trade. Australia is firmly in the forefront of those countries calling within Gatt for a negotiated end to the "subsidy war" in farm trade.

"Efficient agricultural producers – including Australia – are fed up with being caught in a cross fire of competitive subsidisation by the US and the European Community," Prime Minister Bob Hawke told the Gatt in November. "We are also fed up with being denied access to legitimate markets." It was a clear warning of a potential threat to the alliance itself.

Australia has taken a leading role in assembling some 14 "free trade" agricultural producers to fight the cause within Gatt. The Cairns group, so called after its formative meeting held in the Queensland town of that name, submitted its detailed plan in Geneva [illegible] last year. It falls between the highly ambitious but unspecific US proposal to abolish all subsidies within a decade, and the very much more [illegible] approach of the EC.

The Cairns Group plan seeks to establish a long-term framework for the eventual [illegible] of all farm subsidies and access barriers, a medium-term reform programme under which the most distorting measures would be phased out first, and measures for immediate relief including a freeze on existing subsidies.

The Group hopes that the reform programme will be agreed by the end of 1988 and implemented within 10 years.

"The Cairns group takes no comfort from the assurances of the major economies that their subsidies are not aimed at us. The fact is they are hitting us," Mr Hawke told the Gatt meeting, in typically robust language.

Bridget Bloom

Defence

Self-reliance now the key

THE WAR memorial in Canberra, visited by more than a million Australians a year, commemorates 122,000 of the country's dead. They fell in wars and operations as remote from Australia itself – and any threat to its integrity as a nation – as it seems possible to imagine.

The Sudan, in 1885; the Boer War, at the turn of the century; Gallipoli in 1915; and then later, Flanders. Barely 20 years later, there was Tobruk, and the European mainland. The later wars were nearer home, but still remote: Korea in the early 1950s, and then Vietnam.

The common thread is not one that, today, most Australians are as proud of as they used to be. For 180 years Australia relied on others to assure its defence. Its forces fought with allied forces – first Britain's, then those of the US – in distant fields in the hope that, were Australia itself ever to be threatened, the allied forces would come to its aid.

Today, confirming the changes that began when a former Labor government pulled Australia out of Vietnam 15 years ago, the policy has been officially changed. Following a review of defence strategy in 1986 conducted by Dr Paul Dibb, a defence consultant, the new policy of self-reliance, centering on the defence of the Australian continent by Australian forces, was adopted last year in a seminal Defence White Paper.

The central problem for Australia's defence planners has always been that the country faces no obvious threat. It is the only continent in the world which is also a single country, with no land borders with any other state. It is also by far the strongest country militarily in its immediate region. It is widely accepted that only the Soviet Union and the US could conquer Australia, and just as widely acknowledged that neither has the remotest intention of doing so.

It was hardly surprising that Australia depended on Britain, the mother country, for such defence as it needed during the 19th century, but the habit died hard. Britian continued as protector after Federation in 1901, even though the country was building up its own forces. When the balance of power began to shift with Britain's failure to prevent the fall of Singapore in 1942, the US gradually assumed the protector mantle.

The involvement of Australian troops in distant battles was rationalised as "forward defence": in the 1950s, the threat was widely perceived as coming from the north, as communist or communist backed. These perceptions changed only gradually, with Vietnam itself undermining faith in the completeness of American protection, and the US, in the post-Vietnam era, pressing its allies in south-east Asia to do more in their own defence.

The changes now introduced were foreshadowed as long ago as 1976, in the White Paper of that year – but it is last year's White Paper which marks officially the quite radical shift from the past, involving changes in procurement, in the structure and organisation of Australia's forces and in its logistics and planning procedures.

The new policy in no sense abandons the alliance with the US, although it is worth noting that the main changes between the Dibb review and the White Paper based on it are in the additional emphasis given to Australia's role within the western alliance and, within that, as the pre-eminent power in the region. Suggestions that the new policy could lead to "Fortress Australia" provoked strident criticism in both Congress and administration in Washington, and a hasty denial of such intentions from Canberra.

Nonetheless, the new strategy is fundamentally defensive. "Defence in depth" of the Australian continent will be achieved so that any aggressor, in the words of Mr Kim Beazley, the defence minister, will be met "by successive layers of forces capable of detecting, identifying and engaging any hostile approach". An aggressor's task, in other words, will be made "dauntingly difficult".

The layers in this defence are to consist of improved intelligence, new wide area surveillance (including the Australian developed over-the-horizon radar, called Jindalee and now being experimentally deployed in the north), long range capabilities for maritime surveillance and target acquisition, and capable, flexible strike forces.

This is already leading to a major re-equipment programme, to be implemented at a cost of A$25bn over 10-15 years. Eventually, 75 FA-18 fighters will be deployed, replacing Australia's ageing Mirages, and made more flexible by air-to-air refuelling.

Any thoughts of Australia maintaining a "blue water" Navy, with its panoply of aircraft carriers and destroyers, has been abandoned. To strengthen defences around the coastline, and particularly to defend the sea gap to the north eight new patrol frigates are to be built in Australia, while six new Swedish designed submarines were ordered last year.

The central problem is that the country faces no obvious threat

As befits an army expected to fight largely at home, the force is to be made more mobile, and less mechanised. The additional and important reason for this is that as well as the possibility of outright invasion, the White Paper posits a threat of low-level attack and subversion.

But the implications of the policy go beyond equipment. For the first time, for example, the three services will be structured for independent, joint operations, rather than for integration within allied forces. This also means the need for improved logistics and support and a degree of independent planning not known before.

It means, too, the relocation of forces, both from outside Australia and within it. When the final Mirage aircraft are withdrawn from the Butterworth base in Malaysia later this year, for the first time in more than 30 years Australia will have no combat troops stationed in south-east Asia.

As Andrew Mack, Director of the Peace Research Institute at the Australian National University has pointed out, although the new White Paper makes much of the country's important continuing contribution to the defence of the region, self reliance has meant both "a physical shift of resources back to Australia" and a decrease in the resources Australia puts into the region. Mr Mack notes that Australian Defence Co-operation programme funding to ASEAN nations in 1986-7 has declined to A$56m, or about two-thirds of 1 per cent of the 1987-88 defence budget of A$7.4bn.

Relocation of forces within Australia could be even more controversial. The new strategy posits that if there ever is a threat of invasion, it will be from the north – that is where the Jindalee early warning radar will be based and that is where it is intended to base many of the FA-18s, as well as army detachments.

The problem is that re-location away from the south and east is unpopular with officers and men alike who, for a wide variety of reasons are already leaving the forces in alarming numbers. According to published figures, the 70,000-strong Australian armed forces have been losing nearly 10,000 men each year since the late 1970s, with an appreciable rise in the last two or three years to 13,000 last year. An acceptable rate of "separation" is said to be 4,000-5,000. Defence Minister Mr Beazley has appointed a junior minister for personnel and promises a redress of grievances, which range from a three year wage freeze (since ended) to complaints about housing, education and allowances.

Critics allege that, unless tackled fast, the personnel problem could prove the Achilles Heel of the new defence policy.

Bridget Bloom

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Being a federation presents frustrations as well as advantages

Hard times have helped forge unity

AUSTRALIA is one of those countries about which it is all too easy to generalise. The fact that it is a federation is one good reason to resist the temptation. Federations usually reflect differences, and the Australian states display plenty.

Most Australians freely acknowledge the frustrations caused by the existence of the states. Some even say, as though history could have been otherwise, that the creation of them was the country's biggest mistake. But they admit just as readily that the situation is impossible to change – and add, only half jokingly, that the more avoidable creation of Canberra was quite as much a mistake.

It is not easy to illustrate the differences between New South Wales, Victoria, South Australia, Queensland, Western Australia and Tasmania – not to mention the Northern Territory, which is self-governing and would like to become the country's seventh state.

But there is an apocryphal story about the state capitals (where most Australians live anyway) which says a lot. The story is of a visitor who travels to each of these cities, and of the first revealing question he is asked by locals.

In isolated Perth, so the story goes, he is asked where he is from. In Adelaide, the "city of churches", locals inquire which church he belongs to. In establishment Melbourne, they want to know which school he went to. In brassy Sydney, the question is how much he earns. In free-wheeling Brisbane, he is asked what he would like to drink. In distant Darwin (and paralleling Perth), it is where he's headed.

There are other distinguishing features about each state, of course – in topography, climate and local attractions. But it is the "feel" of the different places which most Australians tend to focus on. And their preferences are invariably clear-cut.

As a nation, Australia formally came into being when the federation (or Commonwealth, as it is known) was created in 1901. But precisely because of the country's diverse background, it was a federation which acknowledged a tradition of independence among the states.

As a result, some say Australia will not achieve full status as a nation until this rather divisive independence is overcome – and, they add pointedly (if less relevantly), until the country becomes a republic.

In fact, things have improved as the twentieth century has passed. No longer are there the different railway gauges between the states, or the customs barriers. War and recession have forged a degree of national unity. And the centralisation of modern government, driven by the needs of economic management, has altered the balance of power between Canberra and the state capitals.

But for all this, Australia is very much a federation. Its federalism is not much discussed, but its importance is indisputable.

Take taxation. It is the federal government which raises income tax and customs and excise duties. It also limits the amounts the states can borrow.

But the federal government has to disburse a large proportion of its revenues to the states, because they remain responsible for important matters like education, health, police, transport, community services and urban development. The states can also raise smaller amounts of extra revenue through stamp duties, property taxes, royalties and freight charges.

In the present austere economic climate, the federal government has had more success controlling its own finances than those of the states. In fact a case could be made for the states to raise income taxes themselves in order to make them responsible for collecting as well as spending the proceeds.

State governments and politicians are united only in their intense dislike for Canberra. But if they work hard against Canberra, they compete even harder against each other, to protect and preserve their interests and especially to attract investment.

State officials will explain in detailed terms the respects in which their own state is better than another. The invariably prejudiced accounts will exaggerate virtues and highlight a competing state's disadvantages, mostly regardless of which party is in power.

The biggest rivalry is between Sydney and Melbourne. But Adelaide and Perth resent both places while competing with each other, and Brisbane's distaste is simply for "the south" (even though it is itself in the south, especially when compared to Darwin).

This competition reveals much about the country. Some would argue that little in Australia is understandable unless it is appreciated how state differences permeate most institutions – political parties, trade unions, interest groups, businesses.

The politics of the Labor party, for example, is impossible to decipher without appreciating the current dominance of its New South Wales right wing at the expense of the vocal Left in Victoria.

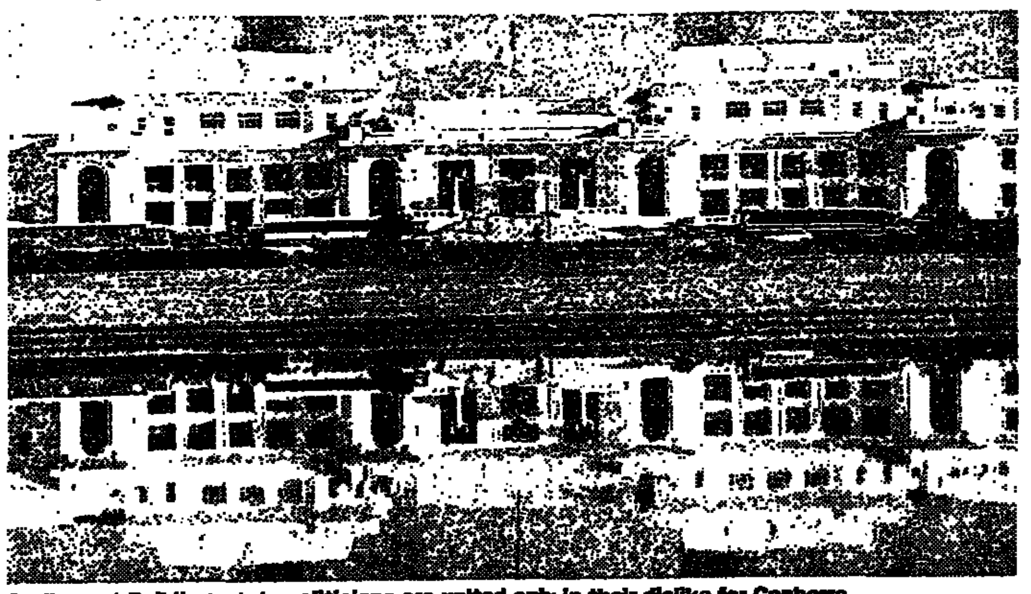
Similarly, the Labor party federal government in Canberra treats its state government counterparts in Sydney, Melbourne or Perth quite differently from the Liberal party government in Hobart or the National party government in Brisbane – currently the only two non-Labor state governments in the country.

Within states, too, political rivalry is intense. In 1988 all eyes will be on New South Wales to see whether Labor can hold on to power in state elections. New premiers in Queensland and Western Australia will also come under close scrutiny as their own elections loom closer.

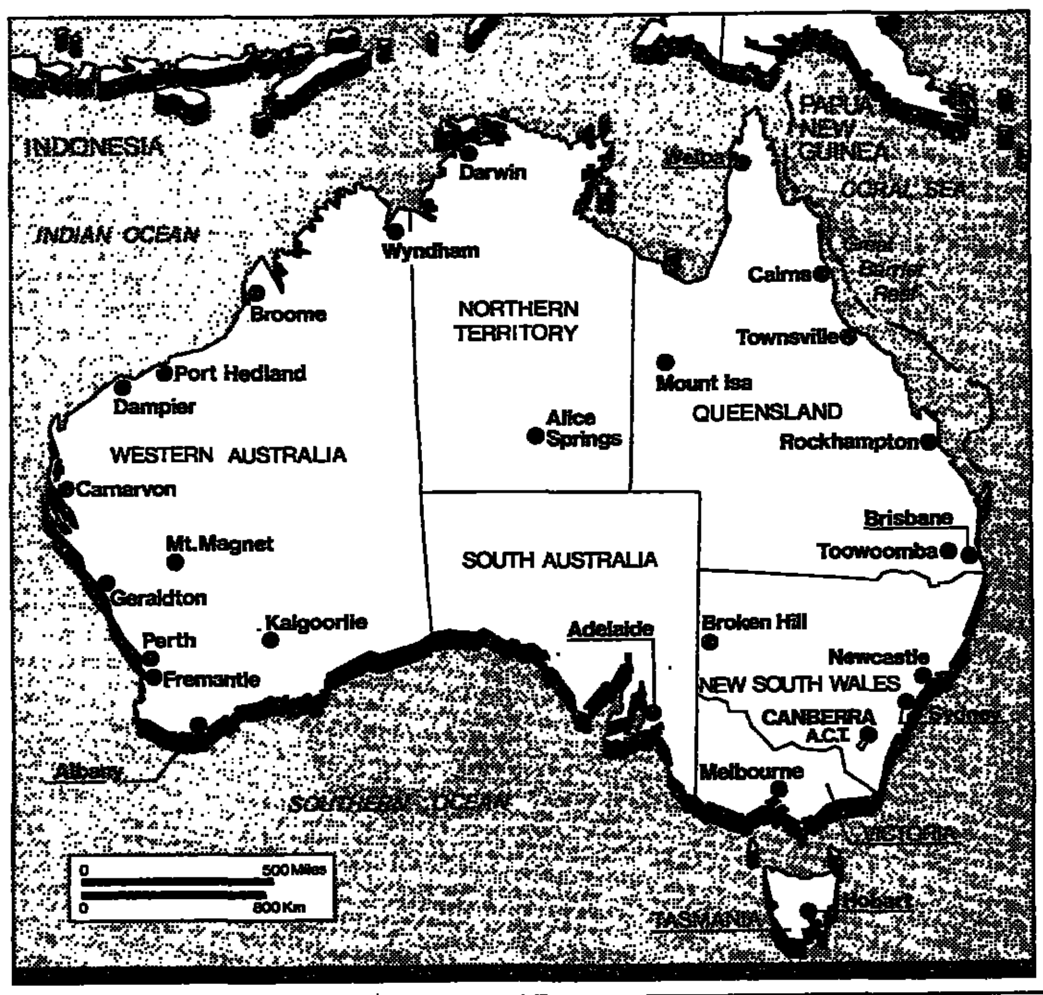
Whether Australia's federation means it is overgoverned is a matter of opinion. All state governments except Queensland have two chambers. Add in the two federal houses and the country has more than 800 federal and state politicians. Hundreds of thousands of civil servants work in government departments and state agencies.

Given the country's size and disparities and the difficulties of pushing change through, perhaps things could not be otherwise. The real question is how much it really matters. Most Australians think there are more important priorities for reform than government itself.

Chris Sherwell



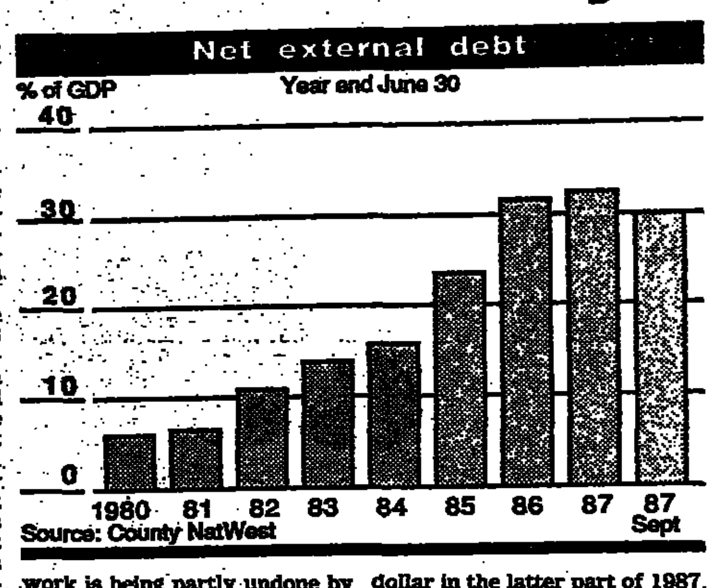
Parliament Building: state politicians are united only in their dislike for Canberra



Business buildings tower above Sydney - but it's time to come down to earth

THE ECONOMY

Record debt requires a spell of austerity



Source: County NatWest

AUSTRALIANS will be celebrating today's anniversary with their customary vigour. But the event does not find their country in the best of economic health.

Indeed, it is somewhat ironical that Australia should be reaching its bicentennial burdened with the greatest external debt in its history, and facing the prospect of some years of austerity to work it off.

Most Australians only became aware of this problem 18 months ago when Mr Paul Keating, the Treasurer, went on a radio chat show and warned that the country would become "a banana republic" unless it put its house in order. But even though he used this popular medium, Australians still find it difficult to accept that times are hard. Too often in the past "the lucky country" with its boundless riches and high living standards has been bailed out by some windfall, like soaring gold prices or a commodity boom.

But there may be no easy way out this time. The foreign debt has more than trebled in the past five years. In gross terms it amounted in mid-1987 to A$110bn, and in net terms A$83bn. The net figure is equivalent to 31 per cent of gross domestic product, and means that 20 per cent of export earnings are being consumed by interest payments on foreign debt (64 per cent on interest and principal repayments). Even Canberra does not expect stabilisation of the debt for three or four years – and then only at around 40 per cent of GDP.

Though Moody's downgraded Australia's credit rating last year, the country has had little trouble raising money. Foreign bankers are only too thankful to find a borrower of such high standing in today's uncertain markets. But the debt is the price Australia is having to pay for lax fiscal policies under the Fraser government and the early years of Labor which triggered a consumer boom and soaring imports that are difficult to check.

To that extent the Government shoulders part of the blame. But when the terms of trade worsened sharply in 1985, because of weakening commodity prices, and the Australian dollar slid on the exchanges, Canberra was forced to act.

The strategy enunciated by Mr Keating last year is designed to curb domestic demand and hasten the economic restructuring which will turn round the trade balance through higher exports and import replacement. But progress is slow: the all-important current account deficit on the balance of payments will only fall below the high level of 5 per cent of GDP in the current year.

Because of the tardiness of the Government's response and the currency's sharp fall, much of the burden initially had to be borne by monetary policy in the form of unusually high interest rates. That imbalance has since been redressed.

Mr Keating's federal budget for fiscal year 1987-88 ending in June foreshadowed a balance (or more precisely a tiny deficit) for the first time. This has since been revised to a A$580m surplus. He has done this by dramatically raising the efficiency of taxation (by, for example, hitting fringe benefits), reducing planned spending and asset sales.

Unfortunately, his virtuous work is being partly undone by the large deficits still being run by the individual states, so the total public sector borrowing requirement is not coming down as fast as it should. But Mr Keating will keep the pressure on all round – he has already promised another mini-budget in May.

The Government has also used wage policy as part of its armoury, drawing on its close ties with the union movement to force through pay restraint. Real wages have declined by 7 per cent since 1983. Although overall labour costs show a more moderate fall, the trend is striking and reflects the enlightened attitude of Australia's present union leadership towards the country's problems. In exchange the Government has preserved jobs – unemployment has fallen to the 8 per cent level, though this may well rise this year.

Alongside these "macro" policies, a series of "micro" policies is being implemented to introduce more flexibility into the economy. These focus on further tax reform, deregulation of transport and telecommunications, the abolition of restrictive work practices which hamper productivity growth, privatisation of government-owned bodies short of capital, lowering protective tariff barriers, and a reform of the education system.

Plainly the success of the Keating policy will depend ultimately on political factors – the Government's will and ability to force the changes through. Though it is not talked about much, the Government is effectively lowering the high living standards. Australians have enjoyed while being comfortably sheltered from the outside world.

So far the suffering is not readily apparent (single mothers and jobless Aborigines being regular exceptions). Before the October share market collapse, domestic consumer demand was rising rapidly, and many people, including the Reserve Bank, think the crash may actually have been a blessing in disguise, hauling the growth rate back from an annual 4-5 per cent to around the intended 3 per cent.

The Government is hoping that lower interest rates will encourage increased levels of productive investment in export-oriented activities and currency-earning sectors like tourism. Certainly investment levels remain a black spot in Australia's domestic economic performance.

The Government also hopes exports will be helped by the fall in the external value of the dollar in the latter part of 1987. The fall came after inward capital flows had given the currency a year of unexpected strength.

In the Government's view, the only real complaint that can be levelled against it concerns the pace of adjustment rather than the direction, which it claims everyone agrees on. Officials use the analogy of a fat man going on a diet: he must achieve a sustained change in his eating habits, but without ruining his health.

But critics say otherwise, arguing that Mr Keating is pulling his punches. Sen John Stone, the Opposition spokesman on the economy, says: "We can no longer afford to have a major cost – labour – determined by a totally anachronistic mechanism. Investment in this country is dead until employers feel that by putting money into the economy they are not making themselves hostage to the trade union bosses."

Australia certainly remains vulnerable to external forces beyond its control. Its heavy dependence on commodity exports means that a 5 per cent downward move in commodity prices could wipe out the hoped for trade surplus.

The shock of adjustment, and particularly the need to question where the country's best overseas markets are, has also encouraged debate about where Australia should be heading in the longer term.

The answer lies in the processing of raw materials and in the development of high technology and skill-intensive manufacturing activities, in which Australia has a competitive advantage and can exploit "niche markets" abroad.

But it won't be easy. Food processors still think in terms of the European lunch table when they could also be targeting Asia. And Australia's manufacturing industry has to confront the fact that many Far East countries can make things more cheaply.

Some Australian companies are nevertheless making a name for themselves, acquiring assets and building businesses abroad – Pacific Dunlop, Elders IXL, Bond Corporation, News Corporation and TNT quickly spring to mind.

Australia thus enters its third century with its economy at something of a turning point. Its people are learning they must collectively live within their means, which is in turn creating a sharper awareness of where their best interests lie. The danger is that they will be overtaken by events.

David Lascelles

AUSTRALIA 7

Five motor manufacturers were producing thirteen models

Industry

Adjustments follow shock

NOT MANY people appreciate it yet, but important changes are afoot in Australian industry. By the standards of Asia's newly-industrialising countries the changes are slow, and far from radical. But the ways of old are being shaken off, and new vistas are opening up.

That such a shift is needed is indisputable. Though Australia is a large country, it has a small economy. Down the years its leaders were content to foster an industrial sector geared almost exclusively to domestic consumption and highly protected from outside competition.

By the 1970s, the idea had even taken hold that manufacturing was unimportant: after all, the country's comparative advantages were in agriculture and mining which earned export income, and a high exchange rate eased the purchase of manufactured imports.

The fact that Australia could not efficiently produce steel, despite its abundant coal, iron ore and energy resources, did not seem odd. Neither did the fact that its consumers were paying near-extortionate amounts for their clothing, footwear and their motor cars.

Industry remains bedevilled by low investment and poor management

For their part, manufacturers thrived on a comfortable "cost-plus" mentality. The sector's role in the economy grew: even now it contributes a significantly larger share of gross domestic product and employs more people than agriculture and mining combined.

The shock came with the plunge in world commodity prices in the early 1980s and the slide in the value of the Australian dollar. That prompted the realisation that Australia's deepening balance of payments difficulties were structural, demanding fundamental adjustments in the economy.

It is this process which is now under way. Intriguingly, it is happening under a Labor government, but in 1973, too, it was a Labor government which introduced another important, if limited, reform – a 25 per cent across-the-board tariff cut.

Nowadays it is better appreciated that diversity means strength and that manufacturing (and services) have a vital role to play in remedying Australia's economic problems, provided they are competitive.

The idea, therefore, is to encourage manufacturing exports and promote import replacement: to build world-class industries based on Australia's strengths which use external markets as a source of additional or even prime demand.

Part of the strategy includes specific plans. A five-year plan for steel, for example, is due to expire next year. Although there are hiccups, Broken Hill Proprietary (BHP), which is Australia's largest company and principal steel maker, now lays claim to being one of the world's most efficient producers.

Another plan, for the motor industry, will reduce five manufacturers producing thirteen models – always something of an absurdity – to three producing six. At the same time, the components manufacturers are becoming more important exporters.

Also being reduced are the high levels of protection for particular sectors which have hitherto been shielded. Protection is part of the Australian industrial culture, so the pace of change is painfully slow.

In one of the most notorious sectors – textiles, clothing and footwear – the politics grew so intense that the government only managed to reduce the top rate of 134 per cent to 60 per cent, and even that will take seven years, starting next year.

These plans aside, most of the government's effort to reform industry has so far focused on macro-economic policy. The floating of the Australian dollar in 1983 already looks more important than the tariff cut a decade earlier.

Although the currency's fall in 1985 and 1986 has since been pared back, there was a significant one-off gain in price competitiveness for manufacturers, and this now needs to be preserved. Manufacturers looking for exports or import replacement say they'd also prefer the rate to stabilise at a lower level.

In another reform, the government introduced a major rationalisation of the tax structure. For companies it abolished the double taxation of dividends by introducing imputation, but it also raised the corporate tax from 46 per cent to 49 per cent and introduced a fringe benefits tax. Now a cut in corporate tax is expected, but only in a neutral package which tightens depreciation provisions. Manufacturers want a net reduction.

The government has proven less successful in the broad field of labour reform, although the industrial relations climate has improved under the Labor party government because of its "accord" with the trade unions.

The much-needed eradication of outmoded and inefficient work practices is proceeding slowly, but is at least occurring, thanks to belated new negotiating arrangements which force productivity agreements to pay for wage increases.

At the micro-economic level, the government is trying to reduce and simplify the mass of regulations which hamper business. It established a Business Regulation Review Unit in 1986 which will encourage sentiment for deregulation of parts of the domestic economy, an essential precondition for international competitiveness.

Deregulation is desperately needed in the transport area. The government is already committed to this in domestic aviation, but action is still awaited on shipping – in particular cargo handling and freight rates – and in rail transport, especially grain handling and storage, which is the subject of a Royal Commission.

Further liberalisation is also needed in telecommunications, and in the provision of electricity, gas and water. Work is meanwhile proceeding on major education reforms which will encourage the development of relevant skills, and on a reorganisation of the state scientific body CSIRO, which dominates the country's research effort, to make its work more relevant to the needs of industry.

Despite all this activity, Australian industry remains bedevilled by woefully low investment, poor management and generally weak confidence. That means there's a long way to go.

The question of where the country's industrial future lies is a matter of constant debate. The general answer is in resource-based activities, which range from steel, aluminium and paper through to food processing, and in technology and skill-intensive industries, which mean biotechnology, information and computer-related businesses and new materials.

No one goes so far as to say Australia's industries should seek to replace its commodity exports. In any case its commodities are hardly going to disappear. The buzz phrase is "niche markets". Australia must exploit specialised opportunities which will provide the country with an economic cushion. For this, it needs the will to see the current changes through.

Chris Sherwell

A general freeing of the labour market will plainly take time

Managers should strike now

IF YOU had visited Australia's two principal cities at a particular point last month, you would not have been able to catch a commuter train in Melbourne or a harbour ferry in Sydney. Nor would you have heard the news from the Australian Broadcasting Corporation.

The reason: industrial action. At other points in the year you would have witnessed a strike by Victorian nurses, watched construction sites halt because of a plumbers' dispute and joined panic buyers in Sydney's supermarkets because of action by the Storemen and Packers union.

You would also have seen the imposition (and withdrawal) of a ban on trade with the troubled South Pacific island state of Fiji because of a coup there, and watched a week-long coal-miners strike hit Australia's biggest-earning export.

Australian workers, in other words – like their British brothers – manage to project an unappealing image. They seem obstreperous and aggressive, despite terms and conditions which make their counterparts elsewhere blink. Look at "holiday loading": Australian workers are paid 17 per cent extra during their vacations because of the overtime they forgo.

But is the image *fair*? Are Australia's trade unions too powerful, as business leaders say? And how good is management anyway? The answer, it seems, is not to be found simply in the number of strikes which, in any case, is on the decline.

For a start, times are changing. Industrial relations under the present Labor government are of a different order from those which have prevailed in the past, even under previous Labor governments.

Union membership, moreover, is declining from its peak in 1975, underscoring the widely held view that, despite their distaste for management and poor image collectively, many workers individually have little time for unions.

That said, Australian trade unionism can only be understood in the light of its history, which stretches back as far as the 1830s and had taken firm root by the 1850s. By the turn of the century there were no less than 200 unions, covering nine per cent of all employees. By 1927 the figure was 47 per cent. Trade union membership passed one million in 1941, 2m in 1963 and hit 2.8m in 1975.

The first recorded strike, involving compositors, was as early as 1840. In 1855, a strike by Sydney stonemasons won them the country's first eight-hour day. The depression and several major strike defeats in the 1890s led to the formation of the Labor Party in various states: the one in Queensland went on to become the first Labor government in the world, in 1899.

But it was the formation of the Australian federation in 1901, and especially of the Conciliation and Arbitration Commission in 1903, which dictated the modern form of Australian trade unionism. Not only did the legislation explicitly recognise and protect the unions, it also institutionalised, through legalistic forms, disputes with employers.

In one of its earliest and most famous decisions, HB Higgins, the chief judge of the court – for that is what it was and is, despite being an administrative rather than judicial body – said the commission should ensure that workers received a wage sufficient to provide them with proper food, water, shelter, clothing, rest and comfort as befitted civilised human beings.

The centrepiece of co-operation has been the 'accord'. This more than anything has led business leaders to complain of the current power of the unions

From this emerged the central ideas of a basic living wage and comparative wage justice. Put crudely, these ideas meant that a business which couldn't pay its employees a "civilised" wage, wherever in Australia it operated, should probably not be set up in the first place. Profitability, in short, was not relevant.

It takes no leap of imagination to see why individual industries have needed tariff protection to survive and employers have tended to cede their responsibilities as managers, at least in the field of industrial relations, to the Commission.

The system of compulsory arbitration is seen by many Australians as having successfully curbed the incidence of industrial disputes. Of course there have been periods of great union militancy, but by international standards the number of days lost per worker compares well with other developed countries.

In pay matters the Commission has tried to avoid becoming an instrument of incomes policy. But its decisions down the years in the "national wage case" have underlined its central role in determining labour costs.

For 30 years up to 1953, for example, it routinely ensured that basic wages shifted in line with movements in the quarterly cost-of-living index. In 1975 it re-introduced a discretionary form of indexation.

Its power to enforce decisions was tested in the 1960s after it imposed fines against unions in breach of court decisions. When it imprisoned a communist union secretary, a wave of strikes broke out. In the end the law's penal provisions effectively lapsed.

The tip of the unions' arrow has been the Australian Council of Trade Unions (ACTU), a body of considerable influence which is also a springboard to greater things. Mr Bob Hawke, the current Prime Minister, was ACTU president from 1969 until he entered parliament 11 years later.

Currently it is headed by Mr Simon Crean as president and Mr Bill Kelty as secretary. Analysts agree that the success of Mr Hawke's government since he first led Labor to victory in 1983 owes much to the enlightened union leadership of Mr Crean and Mr Kelty.

The centrepiece of their co-operation has been the "accord". This more than anything has led business leaders to complain of the current power of the unions and to talk of Mr Hawke's "corporatist" style of government.

Though the detail of the accord has changed, its economic effect has been to impose wage restraint on Australian workers. In exchange, the government has created jobs, reduced income tax and encouraged superannuation schemes.

All this followed the shock of major job losses in the 1981-82 recession. The unions had secured large pay increases at the turn of the decade in anticipation of the much vaunted "resources boom" promised by the second oil shock. Instead, a recession caused commodity prices to fall.

The restraint since 1983 was initially achieved by "discounting" wage increases below price rises. This has since given way to a two-tier system which gives all workers a basic increase paralleling the inflation rate but allows additional increases only if they are paid for by productivity deals.

That it has taken so long for Australia to arrive at productivity-driven pay increases, related directly to the performance of industries, is an indictment of the system and the industrial relations "club". There is further to go – enterprise level agreements, for example, which would also run counter to the notion of comparative wage justice.

But the implication is clear. Managements should use this more decentralised and flexible system to reduce demarcation between jobs and abolish wasteful work practices which prevent full capacity utilisation. According to Mr Kelty, however, managements have displayed a lamentable inability to capitalise on the shift.

A more general freeing of the labour market will plainly take time. As for the arbitration and conciliation system itself, the Labor government introduced reforming legislation last year which outraged business leaders by preventing a resort to common law in a dispute with unions. The government withdrew the Bill to go to the polls. No date for its reintroduction has been announced.

Chris Sherwell

Financial doors have been opened to whirlwind change - and few people regret it

Deregulation pauses for breath

"PERHAPS NO country has deregulated its banking and finance system as rapidly and thoroughly as Australia," says Mr Nobby Clark, the managing director of National Australia Bank, one of the country's big trading banks.

He might have omitted the word "perhaps". It is hard to think of any country which has thrown open its financial doors so brusquely and allowed bracing gales to blow through the decades-thickened fug. In the space of less than five years, the Australian financial services industry has been transformed from one of the world's cosiest to one of its toughest.

But few people seem to be regretting it. The trading banks, NAB, Westpac and ANZ, who had the most to lose, have shaped up and held their ground against the newcomers. Foreigners have gained access to a market they have eyed for years. And both Sydney and Melbourne, the country's leading financial centres, are a-buzz with activity. If the Labor government wanted to reverse banking's well-known sclerotic tendencies, it could hardly have done better.

Deregulation and the admission of foreign banks had been *on the cards for years*. But the shock therapy came with the announcement by Mr Paul Keating, the Treasurer, in February 1985 that he would be granting 16 foreign licences, far more than expected. This provided a further goad to the trading banks who were already investing heavily in new automated technology and marketing services to lift their game.

The announcement by Mr Paul Keating (left) of 16 foreign licences provided the shock therapy — since when no country has deregulated as fast or as thoroughly, says Mr Nobby Clark (right)

In reality, the impact of the foreign banks has been more atmospheric than measurable, particularly in the retail market. They have helped sharpen *the sense of competition* as names like Barclays, NatWest and Citibank have begun to appear in the city streets. But their combined size is still tiny compared with the trading banks, who command over 90 per cent of bank assets. The foreigners' total capital is about $A2bn, equivalent to about 12.5 per cent of all the capital in the Australian banking system.

Many of them have found life very hard, so much so that one, Morgan Guaranty, has not even bothered to take up its licence. Most have had to scale back the *plans they started out with*, so as to fit into a market which now has 35 banks but only 16m people.

Those that have gone into retail are aiming for the top end of the market, drawing accusations from the trading banks that they are trying to cream off the best business. Royal Bank of Canada's joint operation with National Mutual is considered to be one of the most successful retail ventures, but Bank of America was forced to drop out of an arrangement to put branches in Coles Myer department stores.

The foreign banking presence could still face a shake-out, particularly if the Australian economy goes through a few years of slow growth. But Mr Mark Deverell, the head of Barclays' operation, expects most of them to survive. "The competition is not so bad because many of us are competing in *different sectors*," he says.

Those which have gone into wholesale banking have found it easier to carve out niches in the financial markets and advisory business, because their international expertise is valuable. Bankers Trust has emerged as a leader here, both in profitability and market reputation, though much of its work is in merchant banking where many other foreign banks are able to compete without a bank licence.

In fact, the merchant or investment banking area positively seethes with foreign activity. More than 100 financial institutions operate in these markets, many of them doing little more than trade money instruments and foreign exchange.

Off balance sheet business is another popular area. But some have well-developed corporate finance or securities businesses, *like Lloyds Merchant Bank*, Morgan Grenfell, Barings, and County NatWest, the investment banking arm of the NatWest group which bought a local stockbroker, J.M. Bowyer.

If the trading banks have managed to keep the invaders at bay, they still face the question of where their future growth is to come from. The domestic market, now overbanked by any measure, is likely to get even tougher as the building societies and state banks consolidate, and as Commonwealth Bank, the sleepy government-owned bank, is galvanized by the prospect of privatisation.

One answer is by diversification. Australian banks already offer a wide range of services, including insurance, travel, stockbroking and leasing. And they are keeping their eyes open for more opportunities. But the big thrust is abroad.

All three trading banks have made substantial acquisitions overseas in the last three years, and they now nurse ambitions to be counted among the world's leading financial institutions. According to the Reserve Bank of Australia, the proportion of bank assets held overseas had risen from 24 per cent in 1983 to 31 per cent by last June. And Australian banks are now represented in 50 countries.

ANZ's acquisition three years ago of Grindlays Bank has brought it an extensive branch network in Asia and Africa, as well as offices in Europe and the US. "It gives us clout," says Mr Reg Nicholson, the chief operating officer and group deputy managing director.

He says that a further acquisition to strengthen the group's presence in North America might be possible. ANZ does, though, have proportionately the largest exposure to LDC debt, and was forced to make an extra $A168m provision to cover it last year.

Westpac, Australia's oldest bank, has taken a different route. Instead of expanding into conventional banking businesses abroad, it has gone for investment banking, which is now centered on its office in the City of London. This includes William Pollock, the US government bond dealer, and Mase Westpac, the bullion business which incorporates the former Johnson Matthey Bankers.

"Having reached a certain place in the world, our task now is to stay there," said Mr Bob White, who has just retired as managing director.

Most recently, NAB launched itself into Europe with the acquisition in October of Midland Bank's subsidiaries in Scotland and Ireland for $A1bn. NAB considers its strengths to lie in retail banking, and it plans to use the Clydesdale Bank in Glasgow as "our vehicle to enter Europe", according to Mr Brian Hanley, group general manager for prudential management. It also gives NAB "a better spread" in its assets, he says.

After all this activity, financial deregulation is now pausing for breath. Canberra has said it will not issue any more foreign banking licences for the time being, and the markets are adjusting to the removal of controls.

But the process has been a success. Mr Bob Johnston, the Governor of the Reserve Bank, which has been modernising its supervision as well, said in a recent speech: "There can be little argument that we now have a much more competitive financial environment. There is a far greater number of intermediaries than several years ago, and a host of new products and services."

David Lascelles

Entrepreneurs

Migrant stars shine in the business galaxy

FOR MOST of its 200-year existence, Australia was busy importing entrepreneurs. Today, it seems to have turned them into one of its liveliest export industries. Who in the business or financial world is not now familiar with names like Rupert Murdoch, Robert Holmes a Court, John Elliott, Peter Abeles or Alan Bond?

And these are just the best-known of them. As anyone who visits Australia quickly discovers, the place is teeming with entrepreneurs: people like John Spalvins, Bruce Judge, Kevin Parry, Christopher Skase, Larry Adler, and many more. Their fortunes may vary, particularly after the market crash, along with the esteem in which they are held. But their ceaseless and often incredibly complicated business exploits fill the pages of the financial Press every day.

Hard though it is to miss, Australia's entrepreneurial phenomenon is even harder to explain. No one has come up with a single convincing reason for this great outburst of business activity. And one reason may be that the word entrepreneur itself has become a handy tag for any prominent businessman, regardless of what he does and how well he does it.

Some of them run real businesses: beer, media, transport and mining seem to be the most popular, viz Murdoch, Bond, Elliott and Abeles. They have become famous for using daring acquisition and financing techniques to build up their business empires. Others take more of a portfolio approach, buying chunks of other companies mainly for speculation. Holmes a Court is a much-cited example.

Others, like Spalvins' Adelaide Steamship Company, which is in transport and retailing, have highly complex structures which are designed largely to exploit tax openings. Others still, like Mr Adler's FAI insurance group, use the financial resources which come their way through their basic business to speculate in shares on a huge scale.

The entrepreneurs' strongest common feature is their prominence in the world securities markets where they deal with often breathtaking boldness – though whether for short-term speculative gain or as part of a deeper business strategy is seldom clear. Parcels of shares in publicly-quoted companies are their stock-in-trade but, as in October, when the music stops the penalties can be high. Holmes a Court is now trying to realise A$2bn to keep his Bell group of companies afloat.

All this has made the label of entrepreneur a dubious compliment, particularly when added to the ruthless, rasping image which many Australian businessmen have abroad. And many captains of industry would doubtless prefer it was not applied to them for that reason.

The use of the word certainly confuses the picture. There is nothing remotely entrepreneurial in the traditional sense of the word about buying a stake in a company in the expectation that it will shortly be the object of a takeover bid. On the other hand, it accurately describes someone who builds up a brewing, mining or publishing business of global proportions from small beginnings, as many Australians have. Certainly, the banks have had few qualms about financing the entrepreneurs, though whether greater prudence should have been called for remains to be seen.

The Australians themselves view their entrepreneurs with mixed feelings. There is a sense of pride in the achievements of Australian business, and the mark it is making on the world stage. On the other hand, Australia has always, as they say "cut down the tall poppies," and entrepreneurs do not automatically earn respect and admiration.

In seeking to explain the entrepreneur phenomenon, four possible reasons stand out.

One is that most of the best-known entrepreneurs are *not* Australian at all, but immigrants who have shown the determination to establish and improve themselves which is common to all migrants. Holmes a Court came from South Africa, Bond from England, Spalvins from Lithuania, Adler from Hungary and so on.

A second is the deregulation of the 1980s, the floating of the Australian dollar and the removal of foreign exchange controls, which unleashed the entrepreneurs on the world market.

Another is that the Australian tax regime long favoured capital gains over income. That has been corrected now with the introduction of a capital gains tax. But the habit of seeking quick gains in the stock market lives on.

The fourth is that many entrepreneurs have escaped the stifling sectors of business dominated by "old money" and come up through unregulated businesses like media and brewing where the pace was faster and the scope of opportunity much greater. Related to this, Australians have also found foreign stock markets with their relative absence of large proprietorial shareholdings much more open than those back home – and this accounts for their increasingly aggressive presence in London and New York. Australian speculators have made themselves masters of the technique of "minority control" which enables them to wield considerable influence over a company with only a small shareholding.

Mr Robert Holmes a Court is trying to realise A$2bn

Bruised by the market crash they may be, but the entrepreneurs are the kind who fight on. *Some people are already* predicting that a new wave of them will emerge from the crash. Mr Adler sees it all as part of Australia's renewal. "Australia was traditionally a pioneering country," he says. "But it got soft. It is now rebounding."

David Lascelles

The stock market

Back to fundamental values

IT IS now grim financial history that the Australian share market was one of the worst performers in the world October share market crash.

The market's main indicator, the All Ordinaries Index, fell by just over 50 per cent from its 1987 peak – a good 10 to 15 per cent more than its international counterparts, but has since recovered more than 10 per cent.

The crash invited Australia, already smarting from seeing its currency dumped in recent years, to conclude that the comparatively large market fall was yet another judgment from a works investment community jaundiced with the antipodean economic performance.

Doubtless there is some veracity in this view, especially with the country's net foreign debt standing at around A$80bn and the inflation rate running at more than twice that of OCD countries. But markets have a mind of their own. Australia's stockmarket had outperformed almost every other world market in the preceding year and was thus probably due a bigger fall on fundamental grounds.

The consequences of the share fall will continue to be felt throughout bicentennial 1988, most visibly by the handful of entrepreneurs who so skilfully used the bull market to become world-ranked share raiders.

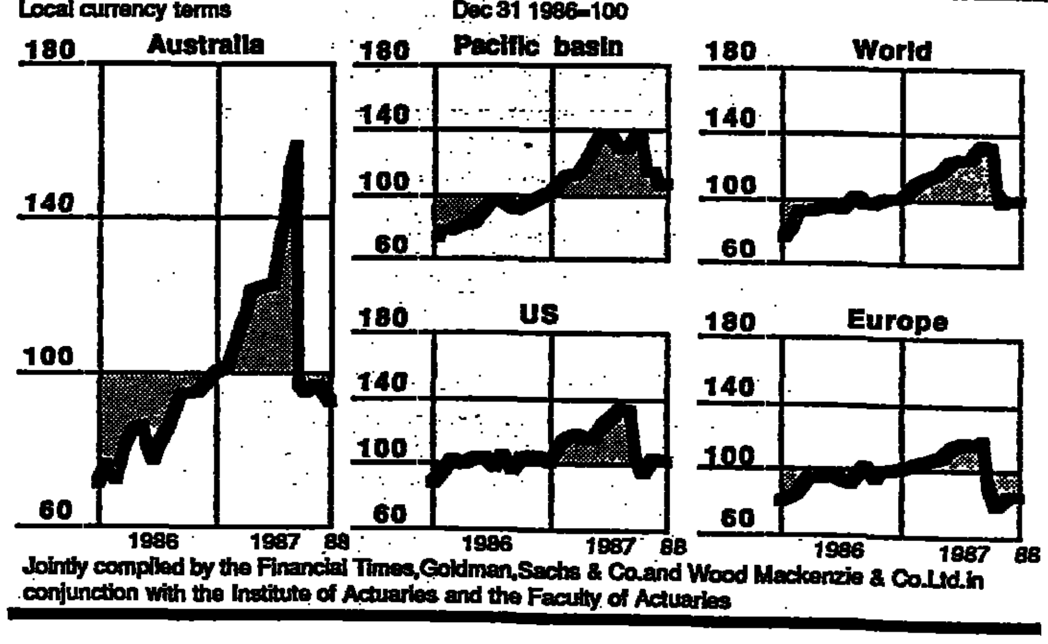
It is doubtful if names like Robert Holmes a Court, Ron Brierley and even John Elliott will be a feature on the UK and US investment scene this year. The first has been forced to sell assets totalling more than A$3bn just to stay solvent, and the other two are already turning more to Australasian business.

Still other former high-fliers, like Mr Bruce Judge and his Ariadne group and the Elders-backed AFP Investments, have deeper problems which are forcing them to battle for mere survival.

But as in every country, Australia's share market crash has its comparative winners. If there is a good side to the episode it is a return to fundamental values. The top echelon of Australian companies by market capitalisation is now confined to those with solid assets which produce something that can be touched and felt. The paper shufflers have been banished well down the lists.

There has been a reassertion

How the stock market has moved



Jointly compiled by the Financial Times, Goldman, Sachs & Co. and Wood Mackenzie & Co. Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

of companies like CSR, CRA, Coles Myer and ACI which were previously regarded as a little stodgy for missing out on boom-generated share-trading profits.

CSR for one has set about taking advantage of a return to more realistic values by bidding for a bigger slice of the building products market, while ACI has itself fallen victim to the same situation and is the recipient of a A$1.6bn takeover bid from a consortium of competitors.

This demonstrates that the trend is already towards takeovers with real value and synergy following years of predatory share trading based largely on the "bigger fool" principle – that someone would eventually pay a higher price for almost any shares.

The A$900m bid by North Broken Hill Holdings for rival Miner Peko-Wallsend is yet another example of a return to fundamentals, and is set further to rationalise the industry, creating a major mining house to rival the biggest in the country.

But perhaps the greatest ascendancy of the crash has been by Australia's premier gold stock, Western Mining Corporation, which appeared to play all its cards impeccably. The company raised a huge A$840m just before the market collapsed and entered the new low-value regime with cash on hand of a huge A$3bn. It has begun to spend some of this money acquiring medium-sized Canadian gold companies, but still retains the resources for a major domestic take over.

Western Mining, in fact, defied the trend in the Australian gold market which fell by nearly 60 per cent in the crash, against falls of about 36 per cent in the Canadian gold index and 34 per cent in the FT *gold* mines index. The Australian gold market was a classic example of over-valuation built on the huge expansion which has made Australia the second biggest western world gold exporter with 1987 output of more than 100 tonnes.

But the heavy crash discounting, which reflected the exit of most foreign investors, seems to have left Australian golds undervalued. The sector still has a substantially lower capitalisation per ounce of gold production than its US and Canadian counterparts.

As in the US, many shellshocked members of the Australian financial sector have labelled futures markets and computers as major exacerbators and even causes of the October market meltdown.

It is true that on Black Tuesday (Black Monday in the northern hemisphere) the share price index futures contract, which tracks the All Ordinaries Index, opened some 30 per cent down ahead of a physical market which eventually fell about 25 per cent on the day.

Again, as in the US there *have been calls for* futures markets and computer trading to be banned, but while the suggestion seems to have few vocal opponents in the US, Sydney Futures Exchange chief executive Mr Les Hosking has aired very firm views on the matter.

"Certainly computers were a factor in the crash," he says. So were telephones, facsimiles, quote machines and other modern technological tools. But those who ignore economic conditions and world tensions and blame traders and trading techniques for major market movements are ostriches whose heads have been in the sand too long.

Hosking contends that program trading is simply an advanced manifestation of arbitrage, a force which generally keeps related markets liquid and in line.

"A decline in futures markets, *followed* quickly by a decline in share markets, is merely evidence of an efficient market place," Hosking says. "The existence of stock index futures markets actually coincides with one of the greatest bull markets in history. It would be equally nonsensical to claim that stock index futures are therefore responsible for the rise in stock prices."

Bruce Jacques

Foreign investment

Two steps forward

AS A capital-poor country, Australia has had to rely on foreign investment to get its economy moving since its earliest days. Yet Australians have always been reluctant to allow capital to flow in freely, for fear of losing control of their precious resources and key industries to foreign interests, particularly, these days, the Japanese.

Even now, despite a general tendency to open the door wider, Australia remains one of the hardest developed countries for foreigners to invest in. An OECD review of foreign investment controls last year placed it third in terms of restrictiveness, after France and Finland. Fourteen industrial sectors, it found, were restricted, and another three were effectively closed, because they were government monopolies (though there has been some easing since the survey was conducted).

No foreigner, for example, may own more than 15 per cent of a radio or television company, or more than 50 per cent of a mining company. Any large proposed takeover by foreign interests has to go before the Foreign Investment Review Board (FIRB), which makes a recommendation to the Treasurer as to whether it should be allowed.

Foreign stakes of more than 15 per cent in an Australian company, and the establishment by foreigners of businesses with an investment of A$10m or more need approval. There are also specific controls over foreign activity in banking and newspapers.

Though this makes Australia sound rather inhospitable, the real story on foreign investment is the liberalisation that has occurred under the Labor government, despite the strongly protective noises it was making when it came to power and continues to make from time to time.

Labor sees foreign investment as a useful source both of capital to finance the country's external accounts, and of increased competition to make the economy more efficient. But to reconcile this view with its tougher public position, it seems to have adopted a policy of doing the least necessary to allay domestic concern about foreign takeover.

Because of this, policy sometimes seems to be one of two steps forward and one step back. Last April, Mr Paul Keating, the Treasurer, said that foreign takeovers worth less than A$5m would no longer have to be notified. But five months later he subjected all foreign purchases of urban real estate to official scrutiny.

The abolition of foreign exchange controls in 1983 set the stage for liberalisation. Since then the Government has allowed in foreign banks (16 licences were granted in 1985) and permitted foreigners to buy Australian stockbroking firms. "Economic benefits" tests in the manufacturing sector have been eased. The decision last April to set the $A5m takeover notification threshold for foreign acquisitions will also reduce by nearly two-thirds the 1,300 applications that go before the FIRB each year.

The FIRB itself has been quietly downgraded. Its budget has been squeezed and its powers blunted to the point where government officials describe it as little more than a facade for a foreign investment policy. The line in Canberra is that the rules will not be changed (which means the FIRB will stay), but they will be operated more flexibly.

The result has been a flood of inward investment. Since 1983, total investment, excluding corporate equities, has more than doubled from A$53.6bn to A$112bn, the bulk of it in manufacturing, finance and property. The number of bank licences granted was also higher than expected and has led to intense competition in the banking market.

Another major change has been the reversal of the requirement that foreign companies float off part of their locally-owned subsidiaries. As a result, several large multinationals like Unilever and Thorn EMI have begun to buy back the shares in these companies and reassert full control.

Nevertheless, the issue of foreign investment continues to arouse strong feelings on both sides of the issue.

In November, Mr Kevan Gosper, the chairman and chief executive officer of Shell Australia, launched a sharp attack on policy towards the resources industry. "It seems to me that the only benefit to the nation as a whole is simply an emotional one," he said.

He called for the repeal of the Foreign Takeovers Act, and the abolition of the FIRB, and went on: "No matter how successful are the efforts to encourage a stronger export-oriented manufacturing sector, our reliance on resources will continue to be high until well into the next century. It makes little sense to put a hobble round the legs of such an important sector of our economy when we can least afford it."

The prospect that New Zealand will slash its tax rates could also force action on Australia to forestall the flow of business in that direction.

Yet the chances of major deregulation remain slim so long as the fears of an Asian invasion remain so close to the surface of the average Australian. Mr Keating's curbs on urban land acquisition in September were highly popular, given the large amount of housing that was being snapped up by Japanese, Taiwanese and Hong Kong investors. But the fears extend well beyond that into basic resources, and recreational and agricultural land, and it would be surprising if the Government felt it could ignore them.

David Lascelles

THE LAND

Farming has seen cycles of recession and prosperity

Riding on the sheep's back

JOHN McCRACKEN, a farmer with some 2,000 acres and twice as many sheep in the favoured grazing lands north of Melbourne, acknowledges that he is one of the lucky ones.

A year or two ago, with his income from wool barely matching his costs, he just made ends meet. Today, thanks to a doubling in the wool price, he is repairing fences, maintaining roadways and planting trees against erosion – as well as banking a reasonble surplus.

Wool's recovery has been critical to improvements in the farm sector this year - just as it was in the first ever agricultural boom in Australia in the 1820s, and as it later was in the 1870s, for example, and again in the 1950s.

It is not yet clear whether today's boom in wool – in which some Australian farmers are, once again, "riding on the sheep's back" to prosperity – will be followed by recession as more farmers switch into the sector. But it certainly highlights dramatically the cycles of recession and prosperity which have been such a feature of Australian farming over the past 150 years, and which have contributed to marked, if gradual, changes in the structure of the industry, particularly in the post-war years.

Today's wool price increase rose as Australia experienced some of the lowest commodity prices in years, coupled with drought which reduced production in some areas to a trickle.

The gravity of the situation should not be underestimated. Mr John Kerin, the minister responsible for agriculture, in an interview in Canberra last month, estimated that, despite the wool price increase, farm debt totals some A$12bn, up 50 per cent in less than a decade and spread between only some 170,000 farm enterprises.

But as Mr Kerin also noted: "There is no sector of the Australian economy which resists change like the farmers – yet none which, in reality, adapts itself so well to changing circumstances."

Mr Kerin sees two major structural changes in Australia's post war agriculture: the dramatic decline in the number of farmers, coupled with an overall increase in agricultural production and a quite successful search for new markets – and the declining importance of agriculture in the economy as a whole.

Peter Perkins senior executive at the Australian Bureau of Agricultural and Resource Economics (ABARE) adds a third: the increasing resilience and sophistication of Australian farming, which stems principally from diversification away from the three main staples of the last 100 years, wool, wheat and meat.

Life was never easy for the Australian "cockie", the small farmer in the outback who eked out a living from a harsh environment in the 19th and the early 20th century. But today he has all but disappeared: nearly 40,000 farmers have left the land in the last 30 years, though production in that time has increased nearly 20 per cent, thanks to technological developments, pasture improvement, the greater use of fertilisers, fodder conservation and greater mechanisation.

John Kerin reckons that successive slumps have honed the wool and beef industries into a high degree of efficiency, although he believes the shake-out in wheat, and in the dairy industry (which has lost nearly 50,000 producers in the last 20 years) is not yet complete.

Yet gross farm output last year was some A$15bn, of which exports accounted for A$11bn, double the value of exports only a decade ago. And whereas in the early 1950s agriculture accounted for 80 per cent of total Australian exports, by last year this had dropped to 35 per cent. The principal reason for the decline has been rising mineral exports. Growth in the economy as a whole, however, explains the decline in farming's contribution to GDP, down from some 20 per cent 30 years ago to around 5 per cent today.

There has also been a marked shift in the direction of exports, with less than 10 per cent now going to Europe (compared to 80 per cent in the 1950s) and with Japan and increasingly China and the Middle East as important new markets.

Opinions vary as to whether diversification will prove an enduring trend. To date a wide range of new crops is being grown, from peas, beans and lupins by cereal farmers in the west, to so-called "boutique" crops in the south and east. These include exotic fruits, flowers and fish, largely for export. From being worth A$199m in the early 1980s, they are now worth some A$500m in exports and, some believe, could reach A$1bn by 1990.

What of the future? In the short term, the danger is of over-production in those commodities now doing well, particularly wool, which could bring falling prices.

In the longer term, much depends on the outcome of the "subsidy war" with the US and the European Community. Australians admit they are not "squeaky clean" on the issue of farm subsidies. The contracting dairy industry, hard hit by Britains's entry to the EC in 1972, is only now being de-regulated. There are still some elements of subsidy in fuel and fertiliser prices, while farmers can receive aid for irrigation.

But Australia has been steadily whittling away its agricultural subsidies, along with the structural changes taking place in the rest of the economy and the country's major commodities compete at world market prices. Australians are particularly bitter about the way these have been kept artificially low by highly subsidized exports from the EC and the US.

Mr Kerin notes that while Australia can produce sugar at 6-8 US cents a pound, the US subsidises its producers to the tune of 18 cents. Mr Gary Keating, senior marketing manager at the Wheat Board in Melbourne, is not alone in believing that the US is currently subsidising sales of wheat to the US "obviously well below the levels Washington could dictate if it chose". Mr Keating notes this has the dual effect of discouraging production by low cost producers like Australia, while putting extra pressure on the EC budget as it steps up its export subsidy payments.

Not surprisingly, Australia is a strong advocate of the reduction of farm subsidies, and is a leading player in the so-called Cairns group of countries within GATT urging the phased abolition of such support.

The actual negotiations come within the purleiu of the Foreign Affairs ministry, but John Kerin was surprisingly optimistic, in an interview in Canberra last month, that progress could be made within GATT, albeit not in the short term.

Meanwhile at home, Kerin sees the remaining elements of subsidies for farmers diminishing, with the country putting more and more emphasis on the sort of broad based – and market led – diversification which is helping today to pull the farm sector out of its recent doldrums.

Bridget Bloom

Wool's recovery has been critical to improvements in the farm sector this year

Mining

Slump comes at a bad time

BOOM AND Bust? Or the Rush That Never Ended? Which ever way you look at it, the development of minerals and precious metals in Australia has been critical to the country's economy.

Whether you identify three great peaks in mining activity over the last 130 years or prefer, along with historian Professor Geoffrey Blainey, to see the process as continuous, mining has been a major catalyst for growth.

The latest surge of investment in the industry is only 20 years old and it is that, rather than the discoveries of the 19th century, which have made the country into the major world producer that it is today. Yet the gold rush of the 1850s, quite as dramatic in its intensity as its Californian and South African counterparts, was vital to development then.

In an extraordinary 10 years, Australia's population trebled (it increased fivefold in the state of Victoria, which had its towns of Ballarat and Bendigo at the centre of the rush). The nascent Melbourne experienced a building boom, and communications improved greatly as railway lines and their new steam trains pushed into the mining and farming lands of Victoria and New South Wales.

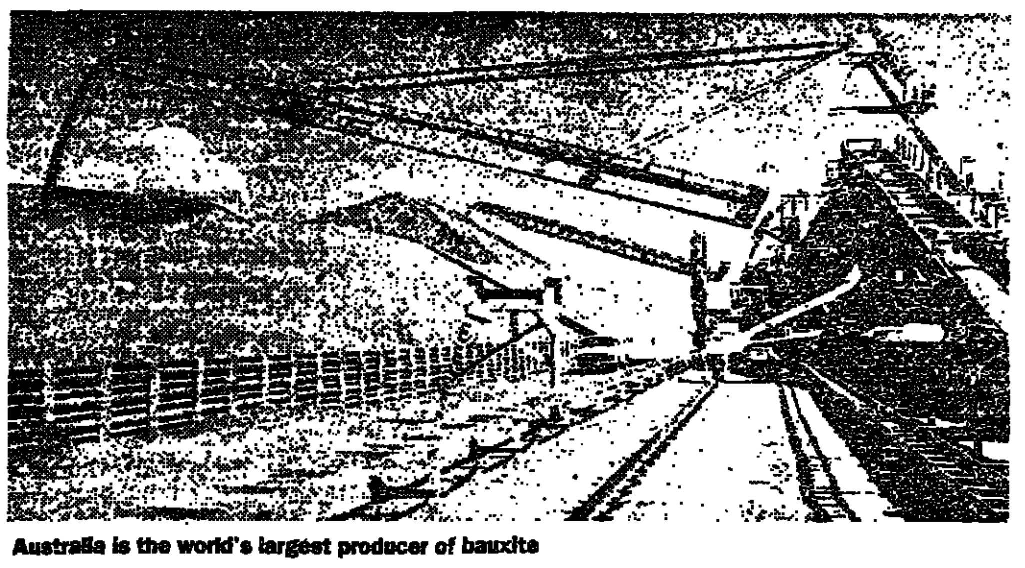
Further discoveries were made in the 1880s, including the rich silver deposits of Broken Hill. These discoveries stimulated development of the remoter parts of the country, leading to further immigration and to the development of Sydney and Melbourne as major financial and commercial centres.

Although a number of important finds were made in the early part of this century, including, in 1923, the multimetal complex at Mount Isa, in Queensland, the biggest surge of all came in the 1960s with a string of important discoveries and developments, involving petroleum and mainly bulk minerals – iron ore, bauxite/alumina/aluminium, nickel, manganese and coal.

Investment was stimulated by high rates of economic growth and, in the case of aluminium, coal and oil, by high energy prices in the 1970s. Although today Australia looks like remaining a net importer of oil for many years yet, ready markets were found for coal and iron ore (which, with bauxite and alumina still contribute nearly 60 per cent of mineral exports), underpinning the growing industrial might of Japan.

Development has continued into the present decade, with new investment in uranium, diamonds, mineral sands (rutile, ilmenite and zircon, which are used in paint and steel making and in ceramics) and, above all, gold.

However, the boom that this latest surge was designed to feed proved a mirage. With the exception of gold and mineral sands, Australia's mining industry – like much of that in the rest of the world – has recently experienced some of the most difficult years in its history, all the more serious because of the prominent role that mining now plays in the economy as a whole.



Australia is the world's largest producer of bauxite

Mineral exports, at more than A$13bn compared with A$3bn 10 years ago, account for 40 per cent of total exports. Mining contributes nearly 11 per cent of GDP, compared with some 2 per cent 20 years ago, while in the same period employment in the industry has risen from 30,000 to over 130,000.

Today, Australia is the world's largest producer of bauxite, alumina, rutile and zircon, the largest exporter of alumina, coal and refined lead, and a leading supplier of copper and zinc. It is the fourth largest supplier of industrial diamonds and the fifth largest producer of gold.

Mr Mark Rayner, President of the Australian Mining Industry Council, noted last month that the most recent investment surge increased the industry's asset base by a factor of five in a decade.

However, the long and severe world-wide commodity price slump which has followed could hardly have come at a worse time for Australia, since the mining industry had borrowed heavily to finance its growth, and on the strength of early profits had agreed wage deals and tax arrangements which have proved hard to claw back. As a result, as Mr Rayner said, "companies have been left with huge debts to service, an expensive workforce and a tax haemorrhage".

Companies have responded to the slump by reining in on capital spending and borrowing, and by cutting back costs of production, in some cases achieving lower unit costs through increasing output. Managements have sought increasing productivity from their workforces, helped to some degree by lower wage rises and fewer strikes following the Hawke government's "accord" with the trades unions.

MIM Holdings, with prices at the time down for its traditional copper, lead and zinc products at the Mt Isa mine and a heavy new investment in steaming coal in Queensland, has had one of the toughest experiences. It has managed to achieve what one analyst described as "profitless prosperity" by boosting production to record heights, at the same time cutting costs. In the palmier years, 5,700 workers shifted 4m tonnes of ore a year. Now, around 4,600 men move some 10m tonnes.

Other companies, including BHP, the minerals, energy and industrial group and Australia's biggest company by far, have invested profitably outside mining (and in mining and other enterprises outside Australia) over a period, making them less vulnerable to the slump.

Though prices for many base metals began to strengthen last year (1987), for most minerals the outlook remains uncertain following last October's stock-market crash.

In Australia, the coal industry's problems are the most acute. Coal is the country's biggest single export earner, worth A$5.4bn last year. Though production is rising, prices are depressed and world demand is slack. Even the Japanese market, where recently prices have not been in Australia's favour, looks less secure, since the strong yen is affecting the competitivity of Japanese steel based exports.

There has been some shakeout in the industry in the last year, with a few marginal mines closing and redundancies of some 1,500 reported in an industry employing 29,000. But the industry, particularly in New South Wales where it all started (the first small deposits of coal were found within 10 years of the country's settlement) the industry is bedevilled by inflexible working practices and high labour and transport costs. More rationalisation seems inevitable if the industry is to survive in a healthy state.

Gold, and to a lesser extent mineral sands, have provided the bright spot amid the gloom of the recent past. The October crash halved gold shares but has not affected mining operations, and profits continue to grow, according to BZW Meat's director Ian Story.

Though Australian companies are involved in some very big new finds in the so-called Rim of Fire in Papua New Guinea, the current boom within Australia is based largely on the re-working of old mines, often those abandoned as exhausted following the original 1850's rush.

New technology has made possible the extraction of lower grade ores, while the boom has been boosted by the depreciation of the Australian dollar as well as by the government's decision not to tax gold companies, which was reaffirmed in the course of last July's election campaign.

With prices recently approaching A$500 an ounce and Australian costs ranging between A$200 and A$300, the industry is clearly profitable. Gold production today is approaching 100m tonnes a year, compared to only 19m tonnes in 1981 (and 84m tonnes at the height of the 1850's gold rush). By 1990 gold could be second to coal as the country's largest mineral export. (Papua New Guinea production in that year is expected to be some 50m tonnes.)

Will it be boom or bust in the future - or just more of Professor Blainey's continuous development?

One trend the Labor government wants to encourage is the greater processing of minerals within Australia in an effort to add value to exports. Recent developments include the Roxby Downs Olympic Dam project in South Australia, where processing facilities are being installed for the copper, gold and uranium which will start to be produced later this year. There is also the Pioneer Pechiney silicon smelter in Tasmania and Rhone Poulenc's rare earth separation plant in Western Australia.

The indstry itself puts considerable emphasis on the need to develop new markets, particularly in Asia, while it continues to dispute the government's decision to prevent mining in many of the country's national parks. It claims that as much as 25 per cent of the country's mineral reserves have been "locked up" in this way.

Despite the slump, exploration is continuing. A number of companies are prospecting in the Fifield area of New South Wales for platinum, one of the few precious metals which Australia does not yet produce in any quantity.

And for the first time in several years, expenditure on exploration has been projected to increase in the current year, to some A$284m.

Bridget Bloom

The environment

Hawke's policies add power to Greenies

CAPE Tribulation, a thickly forested spur of land on the north Queensland coast, got its name because concealed beneath the seas around it are the coral fringes of the Great Barrier Reef: early voyagers, including Captain Cook, foundered there.

Today Cape Tribulation is at the centre of troubles of a different sort: it is in one of Australia's national parks which are dotted across the country, from the Great Barrier Reef itself to Ayers Rock near Alice Springs and the remote Rudall River in the western desert to the Wilderness forests in Tasmania. Several of these parks have have become the focus of contention between commercial interests and conservationists, and between the state and federal governments.

In Queensland, the conflict is between, on the one hand, loggers, developers and local people afraid of losing jobs, who are backed by the state government in Brisbane, and, on the other, the "Greenies" – conservationists who are backed by the federal government in Canberra and want to preserve the primeval tropical rainforest for posterity and for careful tourism.

The outstanding ecological value of the wet tropical rainforests is widely acknowledged: they contain the largest known concentration of primitive flowering plants and other wildlife, a veritable Noah's ark of species dating back more than 100m years, according to scientists.

What is in dispute is how far the area is under threat. The Australian Conservation Foundation, the more traditional of the two main Greenie bodies, will show you ugly wide gashes on the hillsides where land has been cleared piecemeal. The ACF maintains that only some 14,000 hectares of a total rainforest of more than 600,000 ha remains untouched by loggers or developers.

The logging industry, backed by the state government in Brisbane, counters that less than 20 per cent of the forests of 200 years ago have been affected. Prime Minister Hawke's government has so far come down firmly on the conservationists' side, both on the Queensland park, and on the other major conservationist issues of the day. One of these involves logging in the rich forests of Tasmania. The other centres on mining in the huge Kakadu national park in the Northern Territory.

It was Mr Hawke's first administration which in 1984 overrode Liberal plans to build

With the election over, there are signs that the federal government is embarrassed by the impact of its action. It is in conflict with the state governments

the Franklin hydro-electric dam in Tasmania, the first big target of the conservation movement. In last July's election, Labor pledged to conserve the Queensland forests, further stages of Kakadu and the southern forests. The pledge is testimony to the growing political strength of the Greenies over the last decade. Though formally quite small – the ACF membership has doubled to some 12,000, while the more radical Wilderness Society is smaller still – informal groups in the cities have built up grass roots support for the cause.

But with the election over, there are signs that the federal government is a little embarrassed by the impact of its action. On the one hand, it has been brought into direct conflict with the state governments: the only way under the country's constitution that the federal government has been able to establish its authority over the parks is by invoking its power over foreign affairs and applying to have the threatened areas listed under Unesco's World Heritage scheme. (Some two dozen sites world-wide have been listed, ranging from the Pyramids to the US Yellowstone Park.)

This has led to the curious spectacle of rival delegations from state and federal governments pleading opposing cases before the Unesco listing committee in Paris. The extension of the Kakadu park has been delayed as a result, while a similar threat hangs over the Queensland forests.

Of equal importance, however, is the Labor government's growing problems with the mining industry, which maintains that as much as 25 per cent of the country's mineral resources could be locked up in the parks.

No mining has been allowed in the first two stages of the establishment of Kakadu, which includes the spectacular landscape of the Alligator River catchment area, plus aboriginal cave paintings. However, the area involving the big Ranger uranium mine was carefully excluded, and BHP is continuing exploration at Coronation Hill, within a few miles of the Arnhem Land escarpment bordering the park.

John Kerin, the minister responsible for mining, is clearly unhappy about the current situation. In an attempt to placate the mining companies, five year exploration licences are being allowed in so-called conservation zones in the third phase of Kakadu (a move seen as a dangerous precedent by the ACF). "I fear we are moving into a heavily antagonistic phase," Kerin said in an interview last month.

In an effort to put the whole question on a more "professional" and less antagonistic footing, Kerin is trying to establish an improved system of managing conservation within government and between government and the commercial and conservationist interests. But, as the Queensland forest submission to UNESCO gets final clearance in Canberra and the mining companies continue to seek a more open government policy, tribulation, at least for the time being, seems the order of the day.

Bridget Bloom

INFORMATION AND LEISURE

Some valuable 'free publicity' is helping a country new to tourism

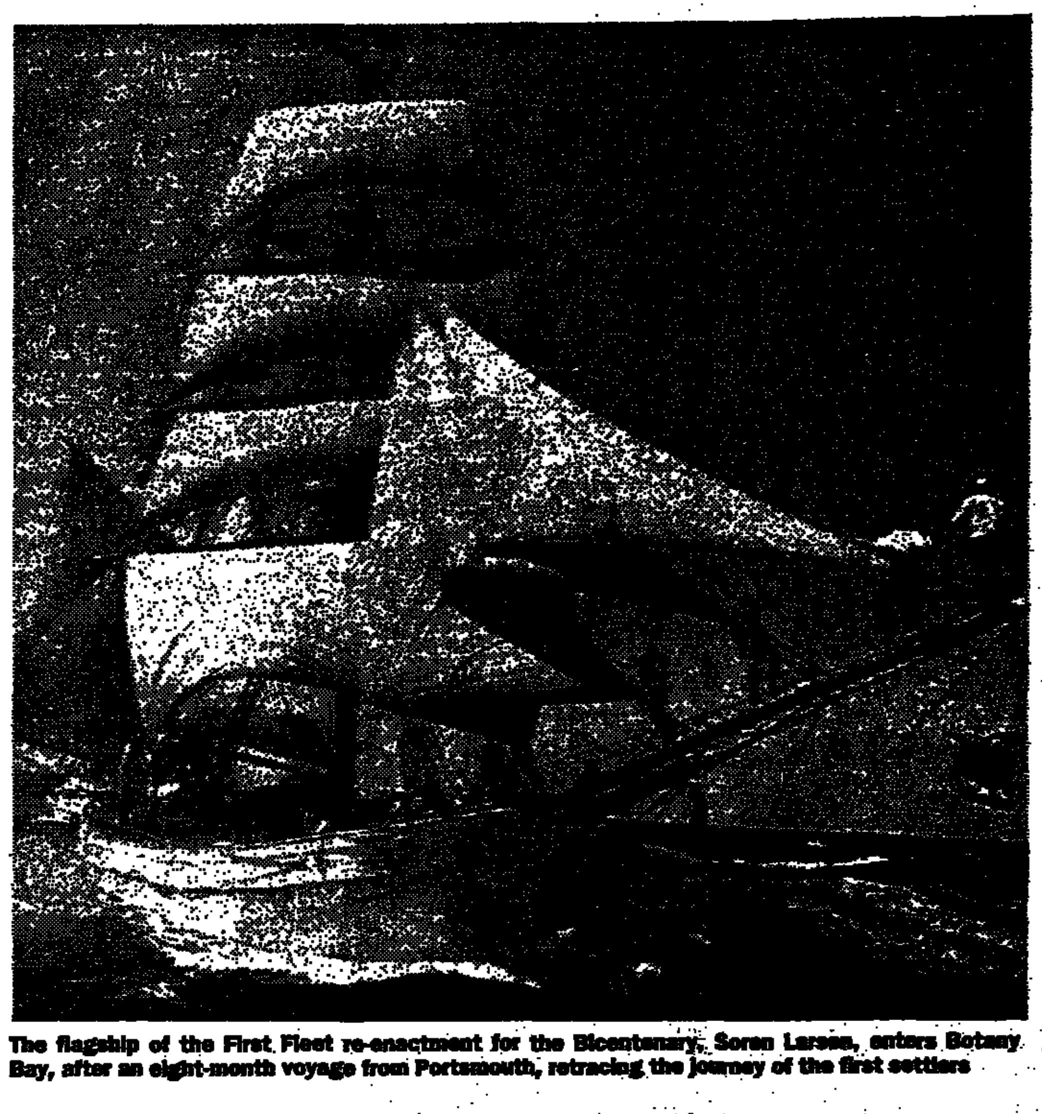
Northern tropical scenery is the big growth area

AUSTRALIA'S FIRST foreign visitors arrived involuntarily 200 years ago in sturdy wooden ships. Today, they flood in eagerly by the Jumbo jetful every day. Unlikely though it seems for an island so remote from the world's prosperous population centres, Australia is becoming a tourist destination.

Indeed, Australia badly wants more well-heeled foreign visitors at a time when its growing foreign debt is putting pressure on foreign payments. Last year, Australia is estimated to have gleaned about A$3.7bn from international tourism, with Qantas, the international airline, now one of the country's biggest foreign exchange earners. And for the first time, Australia earned more from foreign tourists than it lost from its own people travelling abroad.

Australia began to develop a tourism policy only about five years ago, which makes it a latecomer in a crowded market. But improvements in travel, the appeal of a wintertime destination for northern hemisphere travellers, and the boom in Far East tourism, particularly Japan, have all worked Australia's way. Since 1981, the number of arrivals has doubled to 1.8m. Mr John Rowe, the managing director of Tourism Australia, the government promotion agency, expects to see a further doubling by the mid-1990s. The long-term target is 5m by the year 2000.

Fortunately for Australia, its push into tourism has coincided with an unprecedented wave of "free" publicity which has boosted its image as a place of easy-going people basking in eternal sunshine. The Americas Cup and the film "Crocodile Dundee" were better than any travelogue. This year's bicentennial celebrations and Expo 88, the world's fair in Brisbane, will reinforce the message that Australia combines the comforts of a modern state with the sorts of exotic sights normally found only in much more primitive countries.



The flagship of the First Fleet re-enactment for the Bicentenary, Soren Larsen, enters Botany Bay, after an eight-month voyage from Portsmouth, retracing the journey of the first settlers

But even without these special events, Australia has more than its share of world class attractions. Sydney is now a thoroughly modern city in a fabulous setting: the Opera House has become the country's top tourist attraction. Melbourne has a mellower appeal, and Canberra has the dramatic vistas of a planned capital city.

The new Parliament Building, a top bicentennial project, has already become as controversial architecturally as the Opera House, with critics deriding its daring incorporation into an artificial hill as "a bunker." But it, too, will undoubtedly become a tourist draw.

The big growth areas, though, are in the northern regions with their astonishing scenery and tropical climate. The Kakadu National Park was the setting for Crocodile Dundee's exploits. Further east, Queensland sports some of the world's greatest wonders. The lush coastal rainforests where each hectare contains 200 different plant species, are the most complex ecosystems on the globe and house exotic beasts like the tree kangaroo.

Queensland's star attraction, though, is the Great Barrier Reef whose magical world of marine life can only fail too inspire the dullest souls. The coastal towns abound with charterers able to arrange the 40-mile journey out to the reef by boat or helicopter. One of the best-equipped is "Quicksilver" which whisks tourists out in large, high speed air-conditioned launches from Port Douglas for a whole day's snorkelling, scuba diving and glass-bottom boat viewing from a pontoon moored at the reef.

Development is booming on the Port Douglas-Cairns coast, and service is now well up to international standards. Sheraton has just completed the Mirage Resort, a huge marble and chrome extravaganza. A more tasteful place is Kewarra Beach Resort where, on a verandah brushed by warm breezes, overlooking a palm-fringed lagoon – only days from Christmas – this very article is being written.

Unfortunately, a lot of Australia's historic endowment has become vulgarly commercialised, witness the host of "genuine" boomerang makers, opal mines and crocodile farms that spring up round many resorts. Tourism development has also clashed with the growing environmental lobby, and this points to strains if Australia pursues its ambitious tourism targets.

Other impediments include a creaking infrastructure, particularly in air transport where heavy regulation has left services expensive and inadequate, often astonishingly so for a country of such great distances. Qantas also keeps a tight grip on international flight capacity, meaning that reservations must be made well in advance at peak periods. Airline deregulation is on the political agenda, but not very high up.

Although the British and the New Zealanders are still among the biggest arrival groups for historic reasons, Australia expects most of the growth to come from Japan and the US. Already, package tours pour into Sydney and Cairns from Tokyo and California, and Australia has made a point of targetting particular groups like Japanese honeymooners and American "silvers".

But distance remains the great obstacle for more far-flung markets. Even if dreams of stratospheric jets linking London to Sydney in four hours materialise, there is still the problem of jet lag which can ruin the first three or four days (in December, the two cities are 11 hours apart). But for those with time (and a fair amount of money) Australia could be something quite special.

David Lascelles

Sport

Mr Stephen Green, curator of the Memorial Gallery museum at Lord's, in London, holds a replica of the Ashes. Prince Charles is taking the real ones to Australia for the Bicentenary Test match.

In place of Hollywood

IN A sports-mad, media-blitzed country like Australia, where there is no royalty and Hollywood-style film stars are absent, athletes can easily be catapulted to fame, especially if they prove themselves equal to the world in the process.

Many Australian sports stars do just that. Indeed, it is a signal achievement for a country with a population of only 16m, and at a time of ever-fiercer international competition, that most world sports invariably include an Australian among their top performers. But then, as *D.H. Lawrence* once said, Australians play sport as if their lives depended on it.

The best recent example is Allan Border, captain of the Australian cricket side. They were calling him Captain Courageous at the end of 1987, an epithet which rightly evoked the image of the "little Aussie battler" struggling to make a success of a difficult job.

Border's team had just scraped home to win a three-match Test series against New Zealand 1-0. The win made it his first series victory since taking over the captaincy in 1984, when the side was depleted by a decision to cast out cricket "rebels" who had toured South Africa.

Border's belated success followed an earlier Australian victory in the World Cup series in India. As he had also enhanced his personal standing by becoming the country's greatest Test-match run-getter, surpassing Ian Chappell and the great Don Bradman, one newspaper named him one of its four Australians of the Year.

In tennis, Pat Cash's victory at Wimbledon last year put him in the ranks of Australian greats like Lew Hoad, Ken Rosewall and Rod Laver. Indeed, Australia's achievements in tennis exceed those of most other sports, as the long list of other names confirms – Cawley, Newcombe, Roche, Stolle, Emerson, Fraser, Sedgeman. Until Cash came along, US strength, followed later by the Swedes and East Europeans, had seemed to blunt progress.

Australian swimming, having given the crawl stroke to the world in 1898, has suffered a similar experience. At one stage, the country's swimmers were achieving as much as the tennis stars – remember Jon and Ilsa Konrads, Murray Rose, Dawn Fraser? Later, few apart from Shane Gould and Tracy Wickham could match the might of the US and East Germans. Australia still has world-class swimmers – but so do many other countries.

In athletics, Edwin Flack was Australia's entire team at the first modern Olympics in 1896, and he took two gold medals. In 1954, John Landy savaged Roger Bannister's historic sub-four minute mile record within 46 days of Bannister's having set it. Herb Elliott followed, becoming the outstanding middle-distance runner of his time; while Ron Clarke was one of the world's greatest-ever long distance athletes. Later, Rob de Castella became one of its best marathon runners.

In big-money sports, Australia is constantly producing top contestants. In golf Peter Thomson is a past hero, Greg Norman a current one. In motor-racing Jack Brabham showed the way in Formula One; now Wayne Gardiner is doing the same in 500cc motor-cycling, having won seven out of 15 world championship events last year. In yachting, Alan Bond's 1983 victory in the America's Cup was described as a "great day for Australia".

The story is the same in minor sports: in squash, surfing; even in sculling, where in 1876 Australia produced its first world sporting champion.

The sports which make the mass of Australians tick, however, are spectator ones – in particular, Australian Rules football and horse-racing. No events dominate the sporting or social calendar like the Grand Final of Aussie Rules football or the Melbourne Cup, when more than 100,000 screaming people cram Melbourne's MCG stadium.

For the Melbourne Cup, everyone has a flutter and the country comes to a standstill. Racing is a major Australian passion: not for nothing is one of the country's great sporting heroes a horse, Phar Lap.

Chris Sherwell

The arts are struggling to become uniquely Australian

'Cultural cringe' subsides

FOR MUCH of its modern history, Australian society has been cruelly portrayed as crude, and its people as cultural and intellectual Philistines. To judge by the state of the Australian arts nowadays, such observations are outdated.

Even in the early post-war years, when Australia was a homogeneous, isolated country which looked almost exclusively to Britain to understand itself, its record of artistic achievement was notable.

Since then it has moved forward. In the 1970s and 1980s, the struggle to develop something uniquely Australian has been waged with great fervour – in opera, theatre, cinema and literature – and the results are showing.

To be sure, Australia's arts community remains small, underfunded and desperate for wider recognition at home. It also lacks the depth conferred by a large domestic population or enjoyed by a London-style centre of excellence.

But many stars of the Australian visual, performing and literary arts enjoy international acclaim, and rightly so. If most have had to go abroad to win their reputations, even this is not as essential as it was.

Australia's best-known artist is probably Sir Sidney Nolan.

The arts community remains small, underfunded and desperate for wider recognition at home

He won public recognition after the war while still in his late twenties, and first had his works exhibited overseas in the 1950s. Landscape artist Fred Williams won acclaim in the 1960s, while in the 1970s one of the country's most successful artists was Brett Whiteley.

In the field of opera, Dame Joan Sutherland became one of the world's great operatic sopranos. Conventional opera still dominates the art in Australia, but a local form has also emerged with the creation of an opera based on Patrick White's novel Voss.

In ballet, the famous Dame Margaret (Peggy) van Praagh was a driving force behind the establishment of a national ballet company, helped by the late Sir Robert Helpmann, one of the country's greatest ballet dancers, choreographers and producers. Dance, generally, is a thriving art form in Australia.

The country's most successful playwright is David Williamson, whose sharp portrayals of Australian urban life vividly reveal its least attractive features.

Traditional writers whose works endure include Banjo Paterson, C.J. Dennis, Henry Lawson and Marcus Clarke. One of the most successful Aboriginal writers is Kath Walker, who recently changed her name to the Aboriginal, Oodgeroo Noonuccal.

Patrick White became Australia's first winner of the Nobel Prize for Literature in 1973, in recognition of "an epic and psychological narrative art which has introduced a new continent into literature".

Thomas Keneally, another Australian novelist of a later generation, received Britain's Booker Prize in 1982 for his book *Schindler's Ark*. At a more popular level, Colleen McCulloch's novels have achieved worldwide commercial success.

Two other commercial areas where Australians have made their mark in the modern era are cinema and popular music.

The work of directors like Peter Weir, Bruce Beresford and Gillian Armstrong has brought an ever-growing catalogue of highly-acclaimed Australian films to mass audiences.

The list includes *Picnic at Hanging Rock*; *My Brilliant Career*; *The Man from Snowy River*; *Breaker Morant*; *Newsfront* and *Gallipoli*. The biggest commercial success was achieved last year by the comedian Paul Hogan, with his film *Crocodile Dundee*. But his "Ocker" character, like those portrayed by Barrie Humphries (Dame Edna Everage), depends on exaggeration for effect.

In the field of popular music, Australian artistes like the Bee Gees, the Little River Band, Men at Work, Icehouse and Olivia Newton John have all won fame among the world's youth.

In more conventional areas, the guitarist John Williams and the pianist, the late Percy Grainger, both came from Australia, while composer Malcolm Williamson was the first Australian to be appointed Master of the Queen's Musick, in 1975.

There was a time when Australians were accused of suffering a "cultural cringe", a condition in which only outside cultural achievements could possibly be deemed worthwhile. That condition persists, nurtured by some "professional Australians" abroad. But in the 1980s its worst effects are being conquered.

Chris Sherwell

Dame Joan Sutherland is pictured here in Lucia di Lammermoor at London's Royal Opera House

Media

Aftermath of acquisitions

AUSTRALIA has entered its bicentennial year with a new generation of media owners – the result of unprecedented upheaval in an industry already noted for its volatility.

Scarcely a corner of the industry remained untouched in 1987 by an acquisitive binge which had a lot to do with an overheated share market and apparently little to do with fundamental values.

At the centre of the changes have been the two former corporate media monoliths, the Herald and Weekly Times Ltd, which have been dismembered in deals totalling more than A$5bn. The country's three major metropolitan television networks have also changed hands for more than A$2.5bn and a plethora of smaller regional radio and television stations have also gone on the block for a further A$1.2bn.

While the dust is still settling in some quarters, especially in relation to the disaster-prone Fairfax break-up, the rapid-fire changes have determined the basic structure that will take the media industry into the 1990s. But the country's proud new media czars face a major task to make their new investments pay, especially since the high price earnings multiples paid have been rendered even more generous by the October share market crash.

Most of the assets changed hands at historical p/es on the high side of 30 and the Fairfax acquisition by 26-year-old US-educated family junior, Mr Warwick Fairfax, was pitched at a staggering p/e of nearly 60.

These high price tags beg the question why did so many shrewd investors, including the likes of Mr Alan Bond, Mr Robert Holmes a Court, Westfields' Mr Frank Lowy and Quintex's Mr Christopher Skase, pay over the odds to get into an industry where growth prospects appear limited and the short term decidedly gloomy? Further, why would other proven media entrepreneurs like Messrs Rupert Murdoch and Kerry Packer sell media assets, especially in the electronics field, if the future is bright?

For the purchasers, a liking for power and political clout played a part as probably did a temporary numbing of their usually razor-sharp value instincts in the heady share market atmosphere of 1987. For the sellers, a gut feeling, borne of long experience in the media, told them that the prices being offered probably would not come again.

But the new proprietors, being major corporations, must have based their actions on a strategic view of the industry, especially its electronic side. This could reflect a belief that a new era is about to dawn in broadcasting through satellite-based technological advances. Parallel opportunities exist to expand complementary information services in an age where these will be increasingly vital.

But there would also appear to be a significant downside in the outlook, principally the prospect of further deregulation allowing more industry entrants and a flat medium-term outlook for advertising revenue, especially in a post share-crash economic slump.

The rapid-fire changes have also sparked a lively debate on media ownership policy in what is a limited market, comparatively easily dominated by a small number of participants. Strangely, the conservative opposition seems to be leading the charge against what it sees as a dangerous concentration of media ownership.

The federal government has exhibited much less concern and has even advanced a view that the industry takeovers have actually increased the number of industry participants, leading to greater diversity in views. Despite "cronyism" allegations, the government has largely left the matter to the market, although it recently showed signs of a stiffening attitude by blocking the proposed acquisition of a majority stake in the country's only newsagency, Australian Associated Press, by Mr Rupert Murdoch's News Group.

Mr Rupert Murdoch: controls 60-70 per cent of print

It appears a difficult task to argue that the acquisitive surge has broadened Australia's print media ownership following the successful A$2.3bn Herald and Weekly Times takeover by Murdoch. Despite some divestments, the News Group either owns or is in a position to influence heavily papers in every *Australian capital city*. Murdoch is variously estimated to control between 60 and 70 per cent of the country's print media.

Murdoch's Herald acquisition relegated the Fairfax Group to a comparatively minor position in publishing. The A$2.6bn take-over by Warwick Fairfax has been forced to sell large parts of the group to finance the purchase.

After planned sales, Fairfax will be left with little more than one daily newspaper in Melbourne and Sydney and a few peripheral interests.

The position in the electronic media is different, with the networks now divided among marginally more participants than before. Mr Alan Bond now runs the 4-station Metropolitan Nine network following his purchase for about A$1bn from Mr Kerry Packer. The two other major new entrants are the Westfield Group which controls the 4-station Ten network after a A$800m deal with Murdoch and Mr Christopher Skase who added Fairfax's three-station Seven network to his existing regional interests.

Two other significant players to emerge have been Ramcorp, which also has major UK radio interests, and has recently become Australia's biggest regional television operator, and the recently-floated Hoyts entertainment group which is now probably Australia's biggest radio operator.

Some loose ends remain to be tied up in these fledgling networks and more deals are likely in 1988. But the major players have now taken up their positions and must make their expensive investments work in the coming decade.

Bruce Jacques

Science and innovation

First trousers with permanent creases

FOR ITS small 16m population and its relative isolation, Australia's scientific contributions down the years have been remarkable.

Unfortunately they remain largely unappreciated by the mass of Australians, let alone the rest of the world.

It was an Australian, for example, who built the first refrigeration plant, in 1850. The same man, James Harrison, went on to develop the first technique for freezing meat, triggering the start of a major export industry.

Several Australian innovations also transformed farming, particularly the development of new implements. They include the stump jump plough (designed 1876), the combine harvester (1883), the sheep-shearing machine (1885) and the rotary hoe (1920).

Similarly, the Guinness Book of Australian Firsts records that it was a Melbourne engineer who patented the world's first electric drill in 1889, and in the 1930s another Melbourne engineer who invented the modern castor. Even the idea of the notepad – gluing the tops of paper sheets together and backing them with cardboard – is Australian. And it was Australians who gave the world Granny Smith apples and Pavlova.

One of the best-known Australian inventions is the rotary hoist for drying clothes. Less well-known, unsurprisingly, is Australia's development of the first trousers with permanent creases and the idea of the utility vehicle. Also Australian: the first box-kite and the first starting gate for race meetings.

At a more sophisticated level, it was an Australian pathologist who first put penicillin to regular clinical use. Latterly Australian scientists have pioneered the techniques of in vitro fertilisation and developed the bionic ear to help the deaf.

The black box flight recorder, too, was produced in Australia, in 1958. And one of the big mining companies is using a radical new method of smelting ore developed in Australia. Even the wool industry's survival against synthetics is attributable to Australian scientists.

The government has rightly focused attention on R&D

Despite all this, when it comes to research and development (R&D), Australia, like Britain, has a better reputation for its achievements on the "R" rather than the "D" side.

While the record is excellent in basic research and (in the rural and mining sectors) in applied research, the same is rarely said of the industrial sector. According to one historian, "Australian science finds its practical application in Australian agriculture, but in British, American or Japanese industry."

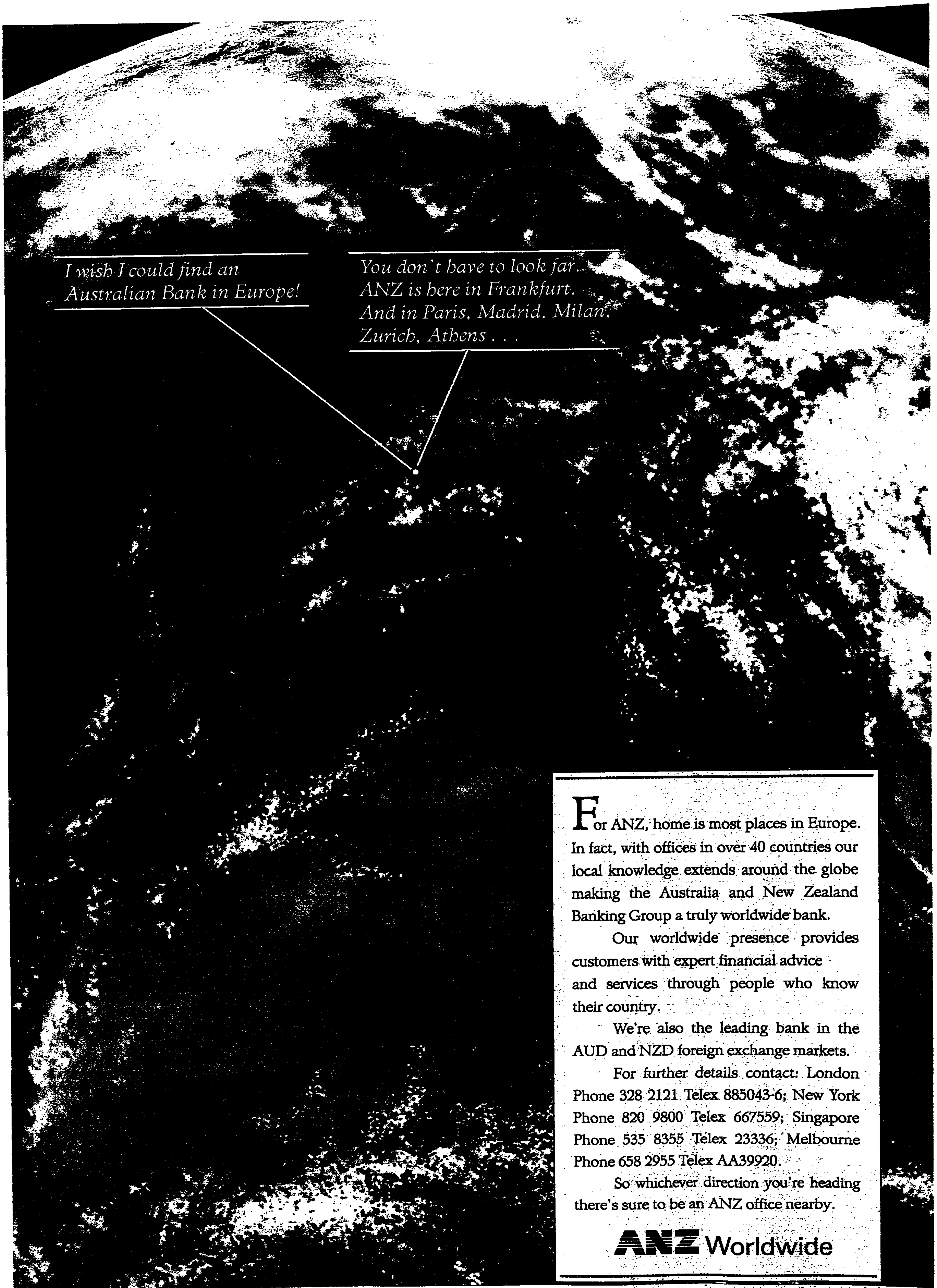
As part of its attempts to change the Australian industrial culture, the present government has rightly focused attention on R&D. It is offering attractive tax incentives for research and development, and is trying to link the efforts of the Commonwealth Scientific and Industrial Research Organisation – CSIRO, the public sector agency which dominates the country's research effort – to the needs of industry.

In this respect, the radical re-organisation of CSIRO now under way is returning the agency to its roots. Before the second world war, it tackled national priorities like plant pests in mining, now being eroded by technological advances. A strong R&D effort in these and other sectors is therefore essential to their future economic success.

R&D spending in Australia, however, remains at just over 1.1 per cent of gross domestic product – below the 2-3 per cent level shown by leading western industrial nations. With government-supported R&D already at a high level, Dr Boardman says industry itself has a bigger role to play. Currently its contribution is below 1969 levels.

Thanks partly to the tax break, the trend is at least upwards. Meanwhile, CSIRO is working on some exciting projects – in some cases along with foreign and local companies – which suggests that the list of Australian scientific contributions will continue to grow.

Chris Sherwell


I wish I could find an Australian Bank in Europe!
You don't have to look far... ANZ is here in Frankfurt. And in Paris, Madrid, Milan, Zurich, Athens . . .

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday January 26 1988

Exxon earnings advance 50% in fourth quarter

BY ANATOLE KALETSKY IN NEW YORK

EXXON, the largest US oil company, yesterday reported sharply higher profits and revenues in the fourth quarter, marking its best financial performance since the exceptionally strong first quarter of 1986.

Net income was $1.56bn or $1.12 a share, up more than 50 per cent on the year-earlier level, disregarding special gains on asset disposals in 1986.

Fourth-quarter profits in 1986 were $1.48bn or $1.03 a share, but $486m of this was due to one-off gains from the sales of Reliance Electric and the company's New York headquarters building.

For 1987 as a whole, profits were $4.84bn or $3.43 a share, compared with $5.36bn or $3.71 in 1986.

Revenues in the latest quarter were 18 per cent higher than a year earlier, at $22.59bn. Its annual revenues in 1987 were 10 per cent up at $84.12bn.

Net income from exploration and production rose almost threefold in the US to $334m in the fourth quarter, but declined 4 per cent in the remainder of the world to $659m. In 1987 as a whole, US exploration and production earnings doubled to $1.32bn, while overseas earnings rose 4 per cent to $2.45bn.

Quarterly refining and marketing earnings improved sharply in the US, from $15m to $82m but, for the year as a whole, US refining fell from $478m to $32m. Foreign refining and marketing earned $294m in the fourth quarter, 1 per cent higher than the year before. However, annual earnings in this sector fell 69 per cent to $459m.

Chemical operations continued to show strong growth, both in the US and overseas. US chemicals earned $102m in the quarter, a jump of 92 per cent, while the foreign business earned $84m, a 29 per cent gain.

• Ashland Oil, the Kentucky-based oil company involved in the huge oil pollution incident earlier this month near Pittsburgh, reported sharply higher income in the latest quarter and predicted that the oil spill would have "no material adverse impact on Ashland's financial position."

Ashland's net income was $71m or $2.50 in the three months ended December 31, the first quarter of its financial year. This included a one-time gain of $31m connected with changes in tax accounting.

Gevaert chief leads consortium seeking stake in La Générale

BY TIM DICKSON IN BRUSSELS

THE FIERCE battle for control of Société Générale de Belgique took a new twist yesterday when Mr André Leysen, one of Belgium's most successful industrial managers and president of the powerful Gevaert chemicals group, said he was leading a group of companies which wants to acquire around 25 per cent of the Belgian conglomerate.

Mr Leysen's move came a week after the announcement that Mr Carlo De Benedetti, the Italian businessman, owns directly or indirectly 18.6 per cent of Société Générale and is planning an offer for part of the remainder.

Mr Leysen's initiative has been made with the consent of the board of Société Générale, but it was not certain last night whether he can be cast in the role of "white knight".

The statement from Gevaert, for example, drew attention to the need for management changes at Société Générale while Mr Leysen himself appeared at a press conference yesterday afternoon to be leaving the door open for talks with Mr De Benedetti.

"He is a white knight but wearing black armbands," quipped one stock market analyst last night.

The situation is further confused because of the legal uncertainty still surrounding Société Générale's plan to issue up to 12m new shares into safe hands, thereby diluting Mr De Benedetti's ultimate stake.

A commercial court in Brussels last week ruled that this tactic was illegal though the opinion of the Banking Commission, the government-controlled body that discreetly polices stock market activity, seemed later to contradict this view.

Mr Leysen who is vice president of the European employers group, Unice, and a former head of the Belgian employers' federation (Feb), declined to name the other companies in his camp. "They include Belgium as well as other European partners," he said.

Under the plan which has been agreed with Société Générale this group would acquire 8m to 10m of the newly-issued shares at a cost of around Bfr20bn to BFr25bn ($574m to $718m).

This will be on condition that the corporate structure of Société Générale would be modified "so as to establish a clear distinction between the management and the shareholders' control thereupon" and that the "Flemish participation in the capital of the company will be more adequately reflected in its management."

This is a reference to the strong Francophone control exercised over Société Générale's current board.

In a seperate development yesterday, Solvay, the big chemicals group, said it had agreed to a request from Société Générale to lend its financial support to the company.

Computervision in Prime talks

BY OUR NEW YORK STAFF

COMPUTERVISION, a leading maker of computer-aided design and manufacturing equipment, has agreed to begin negotiations on a $15-a-share takeover offer made recently by Prime Computer.

The Massachusetts-based company initially rejected the $435m offer, saying it would seek other suitors. It said yesterday, however, it had instructed Goldman Sachs, its adviser, to initiate talks with Prime aimed at concluding "a satisfactory merger agreement."

Computervision added it would continue to negotiate "a sale of equities or other securities . . . . to a third party." It urged its shareholders not to tender their shares yet to Prime. The shares rose ¼ to $15 yesterday morning.

Meanwhile, Prime unveiled a mini-supercomputer, aimed at scientists, engineers and other users of heavily numerically oriented applications at a departmental level.

The mini-supercomputer market, initiated by Convex Computer in 1984, is rapidly becoming crowded with new manufacturers. They are offering some of the number crunching capabilities of fully fledged supercomputers from Cray Research and others, but in smaller machines at a fraction of the cost.

The architecture of Prime's new MXCL 5 machine was designed by Cydrome, a California company. An entry level system will cost $579,000 and offer, the companies claim, five to 10 times the performance of super mini-computers.

The mini-supercomputer market is expected to grow by some 50 per cent this year to around $350m and reach $1bn a year by the early 1990s.

But several pioneers have already dropped out and the pressure on the remaining manufacturers will increase sharply when Digital Equipment enters the market later this year. International Business Machines is also expected to offer machines.

Profits fall at Merrill Lynch

BY OUR FINANCIAL STAFF

MERRILL LYNCH, the largest US investment bank, yesterday reported fourth-quarter net earnings of $3.5m or 2 cents a share compared with $182.8m or $1.70 a year earlier.

The latest quarter net includes a pre-tax charge for employee severance of $47.4m. Also included are charges for credit reserves and operations, related settlement expenses, and relatively minor trading losses, all of which aggregated $55m during October's turbulent market conditions.

A change in the company's vacation policy reduced compensation and benefits expenses by $69.2m in the quarter, Merrill Lynch said. In addition, insurance proceeds of $51.5m were received in settlement of several outstanding insurance claims.

For all 1987, net earnings were $390.6m or $3.58 a share, compared with $454.3m or $4.30 in 1986.

The company's stock was halted on the New York Stock Exchange at midsession, before the results, and the shares rose ⅛ to $22⅞ after resuming trading.

One observer said most analysts on Wall Street had been expecting a fourth-quarter loss at Merrill Lynch and at other securities firms as well.

The company said 1987 sales totalled $10.9bn, up 13 per cent from the $9.6bn reported in 1986. Sales were $2.7bn in the 1987 fourth quarter, compared with $2.8bn in the 1986 quarter.

When the stock was halted yesterday, traders said they were expecting disappointing fourth-quarter earnings.

Castleman quits top Blue Arrow post

BY PHILIP COGGAN IN LONDON

MR CHRISTOPHER Castleman has resigned as chief executive and managing director of Blue Arrow, the international employment agency, just two months after joining the group.

An announcement to the London Stock Exchange said Mr Castleman, who quit Hill Samuel, the UK merchant bank, in July, had resigned because of "differing perceptions of the respective roles of the chairman and chief executive".

Shares in Blue Arrow initially fell 14 per cent yesterday, eventually closing 7p down at 93p.

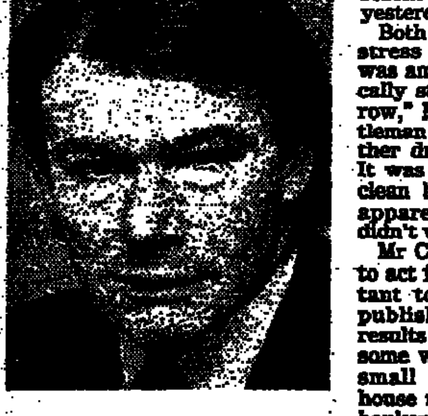
Mr Castleman was appointed by Mr Tony Berry, Blue Arrow's chairman, after the company's $1.3bn acquisition of Manpower, the US employment group, last year.

Mr Berry said at the time: "We have been growing fast and the time has come to introduce additional heavy-weight management resources."

However, it soon became apparent that Mr Berry, who remained executive chairman, still saw himself as very much in charge of the company. He had transformed Blue Arrow which, at the time of its 1984 debut on the USM, was valued at just £3.1m ($5.5m) into a group able to launch the UK's biggest ever rights issue – £837m – last August.

"At the end of the day, a ship can only have one captain," Mr Berry said yesterday, "and there was never any doubt that it was me." He will not be seeking a replacement for Mr Castleman as chief executive, although there may be other executive appointments to the board.

Mr Castleman resigned from Hill Samuel when he disagreed with the board's decision to hold merger talks with Union Bank of Switzerland. "I hope that people will remember my 24 years at Hill Samuel rather than the two recent resignations," he said yesterday.



Christopher Castleman: clean break

Both parties were eager to stress that the resignation was amicable. "I can categorically state that there was no row," Mr Berry said. Mr Castleman said it had been "neither dramatic nor traumatic. It was just better to make a clean break when it became apparent the arrangement didn't work".

Mr Castleman will continue to act for a while as a consultant to Blue Arrow, which publishes its preliminary results today; he will also do some work for Botts & Co, a small investment banking house run by former Citicorp banker, Mr John Botts.

No details of compensation have yet been agreed, but Mr Berry said there was no question of a massive "golden handshake".

Lex, Page 22

James Buchan in New York looks at the complex web of cash problems facing Ted Turner

Junk bonds muffle the Mouth of the South

MR TED TURNER has gone strangely quiet. Once known for his relentless self-advertisement – as broadcast entrepreneur, showman, ambassador for world peace – he has stopped giving interviews. The Mouth of the South is silent.

Mr Turner, 50, has things on his mind. His television company, Turner Broadcasting System, has always been financially unstable. It could now blow up.

Mr Turner must find $38m in cash between now and April 30 or hand over control of his creation to a group of cautious cable television executives. He must find a further $110m by March 1989 or Turner Broadcasting could go bankrupt.

Mr Turner, who once launched a $5.4bn takeover bid for the mighty CBS broadcasting network, does not have this money. His satellite "superstation," his 24-hour cable news network, his sports teams and film library are performing strongly. But their cash flow is vanishing to service a $1.4bn mountain of debt. The company lost $104m on revenues of $459.3m in the first nine months of last year.

The public markets for new issues of stock and corporate bonds have been closed even to many blue-chip companies since last October's financial panic. Mr Turner's best hope of getting private funds evaporated earlier this month, when NBC, one of the three national broadcast networks, pulled out of talks on a capital injection. NBC offered $12 a share for a new issue of Turner Broadcasting stock. Mr Turner stuck doggedly at $20.

But neither Wall Street nor the broadcasting industry will write Mr Turner off. This clever, moody, eccentric, courageous and bombastic man has escaped from disaster in business many times since he inherited a billboard company on his father's suicide. "I think he'll succeed," says Mr Robert Wallace, a credit expert at Gateway Advisors in San Jose, California.

Mr Turner's problem is entirely of his own making. Rebuffed by CBS in 1986, he went off to Hollywood to buy programming for his station. He returned with MGM's famous library of old films. Wall Street analysts still shake their heads at the $1.48bn he paid MGM's canny majority owner, Mr Kirk Kerkorian, for such well-known (and well-worn) titles as Gone With the Wind and Casablanca. Mr Turner, as one analyst put it, "went to Hollywood fully clothed, and left in a barrel."

Turner Broadcasting has not recovered. The debt used to acquire MGM was raised by the master "junk bond" financiers at Drexel Burnham Lambert and includes high-yielding bonds and preferred stock. It is "ridiculously expensive," in the words of one credit expert: one bond yields more than 16 per cent.

Worse, the bonds carry such rigorous and byzantine repayment and interest provisions that Mr Turner has been under constant threat of losing control of the company. "The indentures restrict a lot of Ted Turner's flexibility," says Mr Bob Kricheff, an analyst at First Boston in New York.

Mr Turner's struggle with his junk-bond straitjacket has been agonising to witness. Mr Turner redeemed a class of preferred stock which threatened to pass control of the company to Mr Kerkorian – but only by issuing $550m in new preferred stock, this time to a group of cable operators who use Turner Broadcasting's programming.

Mr Turner kept majority voting control but he had to hand a 37 per cent voting block and seven out of 15 board seats to the operators, who are led by Tele-Communications, the Denver-based market leader, and Time, the publishing and entertainment group which is No.2. Time also has an option to take control of Cable News Network, the 24-hour news network, should Mr Turner lose majority control of Turner Broadcasting.

The presence of outside directors has inevitably cramped Turner Broadcasting's free-wheeling business style, television executives say. A bold plan to launch a new national cable channel to challenge the big three networks appears to be stalled.

Worse, Turner must pay the $38m dividend on the new preferred stock by April 30 or hand over to the operators two more directors' seats and board control. But the junk-bond covenants will not permit this. Turner Broadcasting must refinance the whole $1.4bn before paying cash dividends to anybody else. And it must make a payment of $110m on some zero coupon junk bonds by March 1989.

Although Turner Broadcasting has rarely reported profits and often has negative equity, its operating cash flow is enough to cover the $50m-odd in interest payments every quarter. But it leaves nothing over to pay off the principal.

Drexel Burnham says it could refinance the old bonds without difficulty.

Mr Turner's best hope is now the banks, analysts say. Cable News Network "is looking more and more appealing to the commercial banks," says Mr Stephen Treanor, an analyst with Moody's Investor Service.

But the banks would probably insist on a new issue of equity – whether to the cable operators or even a national network such as NBC. This will further dilute Mr Turner's shareholding and control of the company.

Mr John Malone, the powerful head of Tele-Communications who heads the cable group, is known to want to keep Mr Turner at the helm of Turner Broadcasting. However, it will not be the same company that Mr Turner founded.

Wall Street cools to Kodak takeover

By Roderick Oram in New York

EASTMAN KODAK'S takeover of Sterling Drug was received coolly by Wall Street yesterday amid concerns over the negative impact in the medium-term on the photographic group's financial performance.

Kodak's shares fell $4¾ to $44½ in heavy early trading as analysts sharply cut their earnings forecasts. Profits will be hit for the next few years by the cost of borrowing to finance the takeover and the amortisation of Sterling's goodwill.

Mr Colby Chandler, Kodak's chairman, said: "We expect the merger to generate a positive operating cash flow as early as two years and to contribute positively to Kodak's earnings perhaps as quickly as within three years."

Since Sterling will only be reflected in its results for part of this year, Kodak believes its earnings will be reduced by only 15 to 25 cents a share. Analysts calculate, however, that the impact will be much more severe.

Mr Peter Enderlin of Smith Barney, for example, has cut his estimate for 1988 by 45 cents to $3.90 and for next year by 50 cents to $4.40. The impact, although diminishing thereafter, could spread into a fourth year and beyond.

Financing the acquisition will push up Kodak's debt to around 55 per cent of total capital from around 30 per cent, with debt service eating into earnings. Mr Enderlin believes that Kodak will have to amortise about $4bn of Sterling goodwill, included in the purchase price, over a maximum of about 40 years.

Analysts also noted that Kodak was paying a hefty premium over other drug companies, with the $89.50 a share equal to about 22 times forecasts of Sterling's 1988 earnings.

While analysts say Sterling may not be quite the ideal candidate to help Kodak turn its pharmaceutical research and development activities into a major drugs company, it should make a significant contribution.

Bank of New York cuts offer for Irving again

BY OUR FINANCIAL STAFF

BANK OF NEW YORK, the ninth largest New York bank, has further reduced its hotly contested bid for Irving Bank because of two recent developments concerning its New York City rival.

Bank of New York, which had already revised its bid downwards in the wake of the stock market crash, said yesterday that its latest proposal called for the exchange of 1.575 of its shares and $15 in cash for each Irving common share.

Based on the closing price of Irving common on January 22, the offer is worth about $60 a share or $1.09bn. On December 15, Irving had rejected as inadequate Bank of New York's offer to exchange $68 a share for 39 per cent of its stock and 2.4 Bank of New York shares for each remaining share.

Bank of New York said details disclosed on January 19 and 22 by Irving on its major assets would produce lower fair-value adjustments and higher goodwill than Bank of New York had previously estimated. Secondly, on January 20 Irving disclosed that it had substantially increased its reserve for foreign loans.

Bank of New York said revisions in its offer were also designed to meet its commitment to the Federal Reserve Board that the tangible common equity ratio of the combined companies would be at least 3.5 per cent on completion of the offer.

Bidding for Steinberg begins with C$1bn offer

BY ROBERT GIBBENS IN MONTREAL

THE BIDDING has started for Steinberg, Canada's third largest food distributor and property group.

A company equally owned by Unicorp Canada Inc, a Toronto conglomerate, Oxford Development Group, a large property operator, and Gordon Investment Corp, merchant bankers, has offered potentially nearly Can$1bn (US$1.2bn) for all the voting and non-voting shares of Steinberg.

First reaction from analysts was that the bid undervalued both classes of shares. They said that if it succeeded, the new owners might retain the property and sell off the low margin food distribution business.

Oxdon Investments, the bidding entity, offers C$50 a share cash for all 6m voting shares of Steinberg and have set a minimum 51 per cent acceptance.

The Steinberg family is split over administration of a trust controlling 40 per cent of the voting stock. The balance is held almost exclusively by various family members.

Oxdon said that if it got 90 per cent of the voting stock, it would proceed with an offer of not less than C$40 a share for the publicly held 17m non-voting A shares of Steinberg, with a 90 per cent minimum acceptance.

Analysts also said the proposed 25 per cent premium placed on the voting shares was excessive.

Solvay forecasts 23% rise in profits

By David Buchan in Brussels

SOLVAY, the Belgian chemicals company, yesterday announced that net profits for last year would be "of the same magnitude" as the 28 per cent rise recorded in the first half of 1987 over the same 1986 period.

Giving a foretaste of profit figures to be announced in detail at the end of April, a group statement said the favourable trend of the first half-year continued through the last six months of 1987.

It gave no overall turnover figures, but said sales in alkalis, peroxygen and plastics products increased. Turnover of pharmaceutical and veterinarian products stagnated, but profits in both sectors rose.

The company reported a 28.8 per cent increase in net profit for the first half of last year, to BFr5.99bn ($171m) from BFr4.86bn.

Solvay said its board had approved an increase in capital expenditure from BFr18bn last year to BFr21.9bn for the current year. It also planned a BFr1bn increase in research and development spending.

Earnings sharply up at BZ Bank Zurich

BZ BANK ZURICH, a small Swiss bank known for pioneering trading on covered options on Swiss registered shares, reports an increase of 30 per cent in net profit to SFr15.5m ($11.4m) for 1987, Our Financial Staff writes.

Nedlloyd holders boycott meeting

BY LAURA RAUN IN AMSTERDAM

SHAREHOLDERS of Nedlloyd, the Dutch shipping and transport group, yesterday boycotted an extraordinary meeting called to seek approval for a planned issue of 3.5m cumulative preferred shares.

Only 34 per cent of the 3.47m common shares outstanding were represented at the four-hour meeting. A quorum of 50 per cent was necessary.

The meeting was attended by Mr Torstein Hagen, a Norwegian shareholder controlling about 10 per cent of Nedlloyd's shares. He is believed to have encouraged fellow holders to boycott the meeting.

Of the more than 500 shareholders who attended, most appeared to be private, individual Dutch investors and investor protection groups. Most of the foreign shareholders, who account for more than half of all Nedlloyd investors, are believed to have boycotted the session.

Mr R. Wijkstra, chairman of Nedlloyd's supervisory board, called another meeting for February 12, when holders will again be asked to approve the Fl 175m ($93m) issue of cumulative preferred shares.

At that meeting, a majority of three-quarters will be needed to approve the issue instead of the two-thirds that would have been necessary yesterday if a quorum had attended.

Mr Hagen seized the moment again yesterday to criticise Nedlloyd's plan to devalue drastically its assets by Fl 1bn and to issue the preferred shares to strengthen its balance sheet.

He has garnered the support of about 35 per cent of Nedlloyd's shareholders, according to an associate who also addressed the lively but orderly meeting.

Behind a banquet table sat a phalanx of 11 Nedlloyd directors who defended their plans to write down its shipping and oil drilling assets, resulting in a loss of Fl 990m for 1987.

Most of the discussion, which at times grew tense, centred on the mammoth asset devaluation, rather than the proposed placement of new shares with friendly Dutch financial institutions.

Mr Hagen, a company doctor specialising in the shipping industry, adopted a polite tone in his comments to other shareholders. He repeated that he had no ambitions to control Nedlloyd, but wanted to help improve the company so that it could realise its maximum potential.

Many of the small Dutch investors questioned the need for such a massive asset write-down, although a good number of them also expressed support for the Nedlloyd management.

Benedictine hits at Remy bid

BY GEORGE GRAHAM IN PARIS

MR ALAIN LE GRAND, chairman of Benedictine, the besieged liqueur producer, yesterday launched an attack on both Remy et Associes, the cognac group which has bid FFr6,200 ($1,099) a share for control of the company, and Remy's banker, Credit Commercial de France (CCF).

After a Paris court had ordered Benedictine to postpone an extraordinary general assembly called to authorise a capital increase reserved for two friendly shareholders, Mr Le Grand accused CCF of using Remy, which is controlled by the Remy Martin group, as a cat's paw.

He hinted darkly that the bid was merely a screen for an eventual foreign takeover of Benedictine and that the move was a preliminary manoeuvre before further action which could threaten the whole future of the French spirits industry.

Mr Le Grand said: "Taking into account the extraordinary debt level of Remy Martin, I do not know how they could conclude this operation on their own. The evidence points to this operation being just the start of a series of operations."

The chairman, great great grandson of Benedictine's founder, declined to give details of the company's shareholder register.

It would be possible, but unlikely, for Remy to win a majority of the equity without gaining the majority of the votes, since many of the friendly core shareholders have held their shares for long enough to qualify for double voting rights.

Benedictine had earlier refused a request from the *Commission des Operations de la Bourse* (COB), the stock exchange regulator, to delay the extraordinary assembly.

The COB had criticised Benedictine for the lack of information on how it had calculated the price of FFr4,800 a share at which it plans to issue new equity to Whitbread, the UK drinks group, and to a subsidiary of Credit Agricole, the French bank, taking their combined stake in the liqueur producer to 16.5 per cent.

Mr Le Grand claimed that the COB was now investigating the ultimate control of around 10,000 shares owned by "new and apparently anodyne shareholders." All the company's shares are nominative.

Both CCF, which is also advising Grand Metropolitan of the UK in its takeover bid for the Martell cognac company, and Remy have said they do not control any Benedictine shares.

NMB job cuts to save Fl 350m

By Our Amsterdam Correspondent

NEDERLANDESCHE Middenstandsbank (NMB), the fourth largest Dutch bank, is to trim its workforce by 3 per cent this year in an effort to cut costs.

Most of the 350 jobs will be accounted for by natural wastage and will help save the bank about Fl 350m ($186.1m) in a full year.

Yesterday's announcement came in response to Dutch press reports that the bank was planning drastic austerity measures and considering links with other banks to make itself more competitive.

NMB repeated a previous forecast that its 1987 earnings would be slightly higher than those in 1986.

The bank firmly denied speculation that it is discussing a possible merger with the Postbank, the Dutch bank created two years ago by the merger of the National Savings Bank and the postal giro system.

The speculation is based on a statement made last autumn by Mr W. E. Scherpenhuijsen Rom, NMB's chairman, who suggested that NMB was looking for potential merger partners.

At the time he also floated the idea of medium- to small-sized European banks joining forces in a consortium as one means of countering any upsurge in competition that might occur in 1992, when the European Community lowers the last of its barriers to trading in financial services.

Like many medium-sized European banks with mature home market shares, NMB clearly feels it may have a problem competing head-on with global banks in such a market. An official said NMB was considering joining forces with other banks to provide selective financial services in second-tier money centres.

Ford 'outbid' Fiat in Alfa wrangle

BY JOHN GRIFFITHS

FORD, which bid unsuccessfully against Fiat to take over the former Italian state-owned car maker, Alfa Romeo, actually outbid Fiat by 20 per cent, or L1bn ($813,000), according to calculations by the Motor *Industry Research Unit (Miru).*

The unit, based at the University of East Anglia, says it investigated the issue more closely because of a European Commission decision to probe whether the deal breached European Community competition rules.

The commission's deliberations are still going on.

At the time of the takeover battle, in the summer and autumn of 1986, the conventional motor industry wisdom was that Fiat, in a defensive move aimed at depriving Ford of a substantial presence in the Italian car market, had over-bid Ford by two to three times.

According to Miru, Fiat seemed to offer more money as well as employment guarantees.

But "the employment guarantees do not amount to much and because of CIG (the Italian state unemployment compensation legislation) there is little cost to manufacturers in lay-offs and redundancies," the unit says.

So, adjusted for discounted cash-flow, the Ford offer was actually the more generous of the two, Miru argues.

The analysis points out that IRI Finmeccanica, Alfa's owner at the time of the competing bids, found a comparison of the rival offers problematical because Fiat's projected global investment in Alfa of up to L8,000bn did not specify precisely how much Fiat was offering for Alfa itself.

Later on, Miru points out, it was indicated that the investment content was L5,000bn.

Of the remaining L3,000bn, three-quarters was to be spent renewing plant and products. The remaining L750bn was for the actual purchase and funding of Alfa losses up to the group's projected break-even point in 1990-91.

Miru adds: "The essential problem is that while the Ford offer always hinged on a buying price for a minority stake in Alfa, Fiat's plans revolved round projected investment in a company it would not only control but would amalgamate with another of its divisions."

Ford has never acknowledged its precise calculations on the intended takeover, according to Miru. But, the analysis goes on, it is reported by various sources to have valued Alfa at around L1,000bn and to have offered IRI L140bn for an initial 20 per cent stake in Alfa.

Privatisation likely for Irish insurer

By Kieran Cooke in Dublin

THERE ARE firm indications that the Irish Government has decided to privatise the state-owned Irish Life Assurance, the country's biggest assurance concern with assets of between I£2.5bn and I£3bn (between $3.95bn and $4.74bn).

Reports indicate the Government will use the sale's proceeds to reduce the national debt, which now stands at I£24bn. Current market value of Irish Life is put at between I£200m and I£300m.

Unions have already complained about a possible sale. The company's management says that state control has inhibited its growth and that more capital is needed to expand operations, particularly in the US.

Deutsche Bank buys up venture capital group

BY HAIG SIMONIAN IN FRANKFURT

DEUTSCHE BANK, West Germany's biggest bank, is to take full control of WFG Deutsche Gesellschaft fuer Wagniskapital, the country's first venture capital company which was founded in 1976.

The bank, which already owns 30 per cent of WFG, is buying the remaining shares, held by Dresdner Bank, Commerzbank, Westdeutsche Landesbank and Bayerische Landesbank.

However, the other partners will retain their participations in the DM50m ($47.9m) capital WFG has committed in its latest investment fund, which was begun in 1984.

Deutsche Bank has not disclosed how much it is paying for the group. It plans to merge WFG into Deutsche Beteiligungsgesellschaft, a specialist venture capital company in which it has a 92.5 per cent stake, with the remainder held by Schmidt Bank, a small Bavarian bank.

The decision to unravel WFG is not entirely surprising. In January 1987, the West German Government passed legislation allowing banks and other financial groups to set up UBGGs, which are entities with certain tax advantages designed to take participations in unquoted companies.

Many banks have now set up their own UBGGs, or are planning to do so.

WFG's shareholders have now decided to go their own ways, not least because the company's activities were increasingly overlapping on a business they have decided to develop alone.

Dutch storage group acquires Tenneco units

By Our Amsterdam Correspondent

PAKHOED, the Dutch transport and storage concern, plans to buy from Tenneco, the diversified US industrial group, two chemicals logistics companies, in the Netherlands and the UK.

The Dutch group is to acquire Gebr. Broere of Dordrecht and 50 per cent of Tees Storage, based in Teesside. The other 50 per cent in Tees Storage is owned by Unitank, a subsidiary of Tate and Lyle, the UK food group.

No purchase price has been given but the combined earnings of Gebr. Broere and Tenneco's half of Tees Storage are Fl 20m ($10.6m).

INTERNATIONAL COMPANIES AND FINANCE

Shiseido pays same despite 49% slide

BY GORDON CRAMB

SHISEIDO, the leading Japanese cosmetics producer, is maintaining the dividend for its latest year despite a 49.4 per cent slide in pre-tax profits to Y16.77bn ($131.2m).

The decline, the first in 13 years, follows a restructuring of its domestic sales operations which had suffered from overstocking. This brought an earnings outcome marginally better than Shiseido's worst expectations – the company warned in October that only Y16.5bn might be attainable.

Turnover fell 6.2 per cent to Y320.22bn, ending a period of growth which had been uninterrupted since the Second World War. In the current year the company is forecasting a partial revival in sales to Y340.4bn, although this would still fall short of the record Y341.33bn achieved in 1985.

Profits before tax, which in that year amounted to Y33.15bn, are projected to recover to only Y23.5bn in the period ending this November. Mr Yoshiharu Fukuhara, Shiseido's recently installed president, expects the company to be fully back on course only by 1990.

The Y10 annual dividend is being paid from net earnings per share of Y34.90, down from Y53.71. A further decline at this level to Y30.11 is in prospect for this year as further inventory write-offs reduce overall net profit to Y8.3bn from Y9.62bn, the company said yesterday.

Shiseido is expanding into associated areas such as toiletries and pharmaceuticals, which for the first time accounted in aggregate for more than a fifth of its sales.

• Isetan, one of Japan's leading store groups, showed a 3.1 per cent rise in pre-tax profits for the year to last November, with sales up by 4 per cent, Carla Rapoport adds from Tokyo.

The company said that increased depreciation costs for the year were more than offset by higher returns on financial investment. Pre-tax profits were Y11.4bn ($89.2m) on sales of Y321bn. The company maintained its dividend for the full year at Y10.

For the current year, Isetan forecasts a 6 per cent increase at the pre-tax level to Y12.1bn on sales up 4.5 per cent.

Everite lifts sales but earnings per share dip

BY JIM JONES IN JOHANNESBURG

EVERITE, the South African cement and asbestos products group controlled by the Swiss Eternit group, benefited from an acquisition in the six months to December but earnings per share declined as new shares were issued for the purchase.

First-half turnover rose to R162.6m ($82m) from R112.9m and pre-tax profits increased to R16.2m from R12.5m. The directors said this reflected the acquisition of Turner & Newall's building products interests at the start of 1987 and an increase in building industry activity.

Operating margins were affected by a price war in the polyvinyl chloride pipe industry and, at the start of 1988, Everite merged its PVC pipe operations with those of AECI, the chemicals group. The board added that rationalisation benefits should become apparent in this year's second-half profits.

Interim net earnings dropped to 10.8 cents a share from 15.4 cents but the dividend has been lifted to 4.5 cents from 4.25 cents. In the last financial year earnings totalled 28.1 cents and a dividend of 8.75 cents was paid.

Chris Sherwell on the metamorphosis of Robert Holmes à Court

Bell switches to bear approach

MR ROBERT Holmes à Court, the Perth entrepreneur who became known as the Great Acquirer in the Australian stock market's five-year bull run, has occasionally been tagged with the label Great Divestor since the October crash forced him into a remarkable series of asset disposals.

Last week the metamorphosis became complete. Indeed, analysts poring over the details of Thursday's complex agreement between his Bell Resources group, Elders IXL and Broken Hill Proprietary say Mr Holmes à Court has emerged in a guise they have not seen in years, if ever.

Under the relevant part of the agreement, BHP will buy 300m of its own shares from Bell Resources for A$2.1bn (US$1.5bn), reducing Mr Holmes à Court's formidable 28 per cent stake in the steel, petroleum and minerals giant to a still significant 10 per cent.

Mr Holmes à Court, who set up Bell Resources to launch a takeover of BHP five years ago, is also constrained from raising his stake in the group above 10 per cent unless he makes a full cash bid – something he is unlikely to contemplate in the short term, but which cannot be ruled out.

The deal has crystallised a loss for Bell Resources of A$296m. Taken with losses on other disposals since October – in Texaco in the US, Sears in the UK, and Pioneer Concrete in Australia – the total is now said to stand at A$500m.

But analysts caution against reading too much into this, since the figures do not take into account the unknown effect of tax benefits and the complexities of the Bell empire.

They add that the almost certain announcement of heavy losses for Bell Resources in 1988 is less important than the company's cash and balance sheet position.

Mr Holmes à Court has now raised some A$4.7bn through asset disposals. A Bell official said on Thursday that Bell Resources "has the potential to be totally ungeared and has A$500m on deposit."

Analysts say it was sitting on A$3bn of borrowings before the BHP deal was announced and A$1.2bn of cash. In their view the effect of the deal in net terms is that the company can retire all its debt and still be left with more than A$300m in cash.

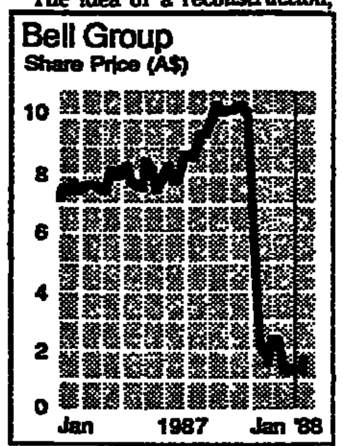
Bell Resources' main assets, apart from its cash and its important 10 per cent BHP stake, are now in coal and in the Weeks Petroleum royalty from the Bass Strait.

Analysts' calculations show an asset backing for Bell Resources of around A$2.30 to A$2.50 per share, which means that, at A$1.40 per share on Thursday, it was trading in the market at a significant discount. It finished the week 20 cents higher at A$1.60, topping turnover lists with 13.9m shares traded.

The unanswered question is whether Mr Holmes à Court will in fact retire Bell Resources' debt and sit on its cash to prepare for any second wave of bulk selling in the stock markets, or instead embark on an acquisition path, purchasing a cash generating business and perhaps promoting some consolidation within the Bell empire.

Currently, Bell Group, which is directly controlled by Mr Holmes à Court and his family interests, holds around 42 per cent of Bell Resources and approximately 37 per cent of another listed company, J N Taylor Holdings.

The idea of a reconstruction,



perhaps through merger or takeover, was mooted at the Bell Group annual meeting last month. But Mr Holmes à Court said at the time that no plan had yet been devised and that evidently remains the case.

For the group as a whole, other disposals or sales are expected. For example, Mr Holmes à Court has been negotiating with Pearson in the UK, owner of the Financial Times, on a joint venture which would own the Australian Financial Review, the Times on Sunday and the New Zealand National Business Review.

According to Mr Ian Story, senior research analyst with BZW Meares, a consolidation is a possibility but far from a certainty. As for Bell Resources, he believes it is unlikely to expand.

In his view, Mr Holmes à Court has now successfully adapted Bell Resources to a bearish environment, switching it away from the bullish approach which was essential to its past success.

"Bell Resources used to be the stock to buy if you were optimistic about the market," he said. "Now you wouldn't touch it unless you were bearish. He will wait until there's a recovery – and that only looks likely when the necessary adjustments are made in the US economy."

By contrast, Mr Norman Miskelly, senior analyst with Ord Minet, suspects Mr Holmes à Court will capitalise on the lesson of the crash and acquire a cash business. But he adds: "Few people ever read him correctly."

Both agree that Mr Holmes à Court has undergone a remarkable transformation since October. Previously he depended on what he called "intellectual profits" – capital gains from being bought out of strategic equity positions taken in target companies whose dividends funded holding costs.

With the sudden end of the bull market, he has had to switch strategies, liquidating assets to reduce borrowings and building a cash reserve to weather the slide in share prices.

"Like Superman, he's jumped into a phone box to change identity," Mr Story said. An aide of Mr Holmes à Court was more sober in his assessment. "He's very relaxed," he said.

Malaysian bank ahead at midway

By Wong Sulong in Kuala Lumpur

ARAB MALAYSIAN Merchant Bank (AMMB), the largest of Malaysia's 12 merchant banks, has reported a 23.5 per cent increase in pre-tax profits to 24.2m ringgit ($9.5m) for the half year to the end of last September.

The figures include, for the first time, the results of Arab-Malaysian Securities (formerly Kris Securities), the bank's stockbroking subsidiary, which had shown a "creditable performance" since it was acquired in 1986.

AMMB said that the banking group continued to take the lead in investment banking activities, including the launching of government bonds and sponsoring the successful launch of the $84m Malaysia Fund on the New York Stock Exchange.

Total assets of AMMB at September 1987 stood at 3.66bn ringgit, an increase of 6 per cent, while shareholders' funds were 197m ringgit, up 8.7 per cent.

Meanwhile, Arab Malaysian Development, the listed investment group which owns 45 per cent of AMMB, has announced plans to raise 72.8m ringgit through a one-for-four rights issue.

The 145.6m new shares are to be sold at their par value of 50 cents each. The proceeds of the issue will be used to reduce borrowings and provide additional working capital, including finance for the purchase of a 49 per cent stake in Arab Malaysian Credit which will absorb 9.02m ringgit.

INTERNATIONAL CAPITAL MARKETS

Haig Simonian on rationalisation in West German retail banking

Banks seek economies of scale

IT MAY be just coincidence. Earlier this month, two Frankfurt-based savings banks, the Frankfurter Sparkasse von 1822 and the Stadtsparkasse Frankfurt, announced they were to merge from next year to form Germany's fourth biggest savings bank with total assets of over DM15bn.

Last week, it was the turn of two Landesbanken, Landesbank Stuttgart, based in Stuttgart, and Badische Kommunale Landesbank (Bakola) based in Mannheim. Together, the two will create the country's fifth biggest Landesbank, with total assets of about DM70bn, just trailing the much-better known Hessische Landesbank (Helaba).

The mergers are unconnected and in different parts of the country. But the second, in particular, may finally signal the start of the long-awaited reorganisation of Germany's savings and Land banking organisations.

Barely known internationally, Germany's 589 savings banks, which vary from single unit operations to groups with large branch networks, form a key part of the country's retail banking system. For many individuals, day-to-day finance means a visit to a local savings bank branch rather than to the doors of Deutsche Bank, Dresdner Bank or Commerzbank, Germany's big three commercial banks.

Meanwhile, the Landesbanken form the umbrella organisations for local savings banks groups. They are responsible for certain central services as well as specialised funtions like foreign exchange, securities trading and trade finance, which lie outside the scope of individual savings banks, however big.

The Landesbanken are normally co-owned by state governments and the region's savings banks. Some, like Westdeutsche Landesbank (WestLB), are huge operations. WestLB is one of Germany's biggest banks, with total assets in 1986 of DM135bn, and is a familiar name in domestic and foreign capital markets.

Bayerische Landesbank, Norddeutsche Landesbank (Nord/LB) and Helaba, the next three biggest Landesbanken ranked by size, have similar, though not quite so fully realised, ambitions. All have been expanding, especially in international and investment banking, and now boast offices at least in London, Luxembourg and often New York.

But while the biggest Landesbanken have been spreading their wings, notably in the capital markets, life has often been growing tougher for their smaller counterparts.

The smaller Landesbanken have seen business slip away to bigger commercial banks, often because of their inability to meet the increasingly sophisticated needs of local corporate clients. The big three commercial banks in particular have been attracting small and middle-sized business accounts by emphasising their international coverage and specialisation.

Meanwhile, competition in retail banking has also intensified as the commercial banks have devoted more attention to attracting private accounts.

As a result, many savings banks, and some Landesbanken, have been increasingly forced to examine how they should react to these challenges. For many, rationalisation has seemed the obvious answer.

It is no surprise that, among the key reasons for their proposed merger, Landesbank Stuttgart and Bakola should have cited synergy, economies of scale and the need to offer customers, particularly companies, a wider range of services. Together, they will also become more competitive in a range of broader financial services like leasing, factoring and fund management.

According to many analysts, political considerations have often stood in the way of mergers in the past, either because neighbouring state governments were of opposing political allegiances or because some local politicians have been unwilling to relinquish the prestige of having their "own" Landesbank in their territory.

Developments in state politics in the past year may have removed some of these obstacles. Thus the present talk about a possible merger between Helaba and a variety of institutions, notably the neighbouring Landesbank Rheinland-Pfalz, based in Mainz, would have been unthinkable until last April.

That was when the Social Democratic Party lost control of the state of Hesse, which it had held unbroken since the founding of the Federal Republic in 1949. With the Christian Democrats in power in most neighbouring states, speculation about regional Landesbank mergers has grown apace.

Among the possible combinations being mentioned are:

● An alliance in central Germany which could include Helaba, Landesbank Rheinland-Pfalz and, just possibly, Deutsche Girozentrale (DGZ), the specialist wholesale bank traditionally associated with the savings bank movement.

● A grouping in the south around Bayerische Landesbank, which might eventually take in Landesbank Stuttgart and Bakola once their merger becomes effective. Subject to the agreement of the local savings bank groups, that should be on January 1 next year.

● Further concentration around WestLB.

● A stronger alliance in north Germany around Nord/LB, which might include the much smaller Landesbank Hamburg and Girozentrale Kiel.

However, bringing any of these plans to fruition will be easier said than done. Rationalisation among savings banks themselves has been taking place for some time as smaller banks have got together to achieve economies of scale.

A working group set up by the savings banks last year has already suggested, at the very least, better co-operation between savings banks and their local Landesbank. Savings banks must also offer a broader palette of products and learn to market them more effectively.

The latest mergers at both savings and Landesbank level have undoubtedly added impetus to the calls for change. More important, despite comments from the cynics who say they have heard it all before, the suddenness with which both the latest alliances were announced shows that discreet discussions have indeed been taking place between banks behind closed doors.

OM plans French stock index futures market

BY GEORGE GRAHAM IN PARIS

OM, THE Swedish futures and options market-maker controlled by the Wallenberg group, plans to launch a stock index futures market in France.

Backed by Credit Commercial de France (CCF), the country's ninth largest banking group, as well as Finacor, the financial group, and Simuledge, the software house, OM hopes to start a telephone futures market in the spring, moving shortly on to electronic dealing.

An option on the stock index future would then be introduced later this year, the group said.

Dealers in Paris were cautious yesterday about the proposed market's chances of success. They noted that OM plans to use the EFX50 index developed by CCF, which is calculated every minute but which has not yet gained widespread acceptance.

An over-the-counter market already exists in options on the CAC index, which is the most widely used measure of the French stock market's performance but is calculated only once a day. The stock exchange is working on a new continuous index to be used as the base for an option traded on the exchange floor.

Japan may widen law on insider trading

THE JAPANESE Ministry of Finance is considering widening the Securities and Exchange Law to include powers to investigate investors outside securities houses who are suspected of involvement in insider trading, *Our Financial Staff writes.*

The MoF is setting up a special subcommittee on insider trading consider changes detailed in the securities law. At present, the Ministry is empowered to investigate and prosecute only forms or individuals in the securities industry suspected of trading on insider information for their own account. The MoF can subpoena documents from outside investors, but has no powers to prosecute them.

Changes in the wording of the securities law to include an explicit reference to the use of inside information under consideration. The present law refers only to "prohibited unfair trading."

● The Tokyo Stock Exchange is considering launching trading in options on 10-year Japanese government bond futures this year, after it introduces futures on 20-year government bonds and Tokyo stock index (Topix) futures contracts, Reuter reports from Tokyo.

Mexico talks down auction price

By Anatole Kaletsky in New York

MEXICO IS unlikely to pay its creditor banks more than 50 cents on the dollar in the $10bn bond exchange offer which the country plans to carry out next month with the support of the US Treasury and Morgan Guaranty Trust.

This is the clear impression which Mr Angel Gurria, the chief Mexican debt negotiator, hopes to create this week as he travels around the world in a series of "road shows" promoting the debt exchange to international bankers.

"The secondary market for Mexican debt has recently dropped a couple of points – bordering 50 cents on the dollar or less. And I am unaware of any other indicator to gauge the level of the market for our debt," Mr Gurria said in an interview just before leaving New York for Tokyo. Mr Gurria met US bankers in New York last Friday and will be travelling on from Japan to Europe later this week.

He stressed that the thinness of the secondary market did not imply that Mexico should bid a higher price for its debt in the forthcoming exchange. On the contrary, it suggested that banks would probably accept lower bids from the government in order to liquidate blocks of debt much larger than the secondary market could possibly handle.

Bankers have talked of submitting offers in the 60 to 70 per cent range, substantially above the secondary market price. But Mr Gurria pointed out that "it would be very surprising if bankers suggested otherwise" at this stage, likening the period of bid preparations to a game of poker between Mexico and the banks.

He rejected the argument that Mexico's new bonds would probably fall to a discount and that the country would therefore have to pay banks more in the debt exchange than the current cash price available in the secondary market.

"There might be some pretty wild oscillations immediately after the auction, but given our 100 per cent track record in the payment of interest and principal on all bond obligations, the bonds should trade well after the establishment of a sound market," he said.

Mr Gurria conceded that one large regional US bank, NCNB, had recently found a buyer for $105m of Mexican debt at 50 cents on the dollar. But he dismissed speculation that the buyer of NCNB's debt hoped to sell it back to the government at a higher price.

"If they intend to sell it at a higher price in the auction, they are taking a very risky action," he said. The NCNB debt sale was "a very exceptional opportunity," probably connected with Mexico's debt-equity swap programme.

Similar offers had not been found by other banks, Mr Gurria noted.

Terms set for Japanese participation

By Ian Rodger in Tokyo

THE JAPANESE Ministry of Finance has cleared the way for Japanese banks to participate in the planned auction of Mexican government bonds in March.

Japanese banks, which hold about $10bn of Mexican government debt, will be allowed to exempt from tax any losses resulting from the exchange of their Mexican loans into the new bonds. On the other hand, they will not be forced to revalue the balance of their Mexican loans to the expected lower value of the bonds.

An executive in Tokyo of Morgan Guaranty Trust, the US bank that has been arranging the auction, said yesterday that the ministry's move was "an enormous help," and hoped that Japanese banks would participate in the auction.

Morgan will be meeting Japanese bank executives today to explain the details of the auction. The Morgan plan, unveiled at the end of last month, calls for the Mexican government to issue up to $10bn in new bonds in the auction in exchange for its existing bank debt.

The new bonds will be guaranteed by up to $10bn in US government 20-year zero-coupon bonds that the Mexican government is buying for a maximum of $2bn. The expectation is that the bonds will trade at a significant discount to face value, causing paper losses for the banks, but the issue of bonds provides a way for the banks to get rid of some of their problem loans.

Sweden bucks trend with 10-year Eurodollar deal

BY CLARE PEARSON

SWEDEN YESTERDAY confounded the sceptics who had said the Eurodollar bond market was not yet ready for a longer-dated bond by successfully issuing a 10-year deal.

Demand was so strong that Merrill Lynch International, the lead-manager, increased its amount by $50m to $350m. Yet the issue continued to trade comfortably within 2 per cent fees at less 1¾ bid.

A number of Eurobond issuing houses are believed to have told Sweden that investors were still too nervous of Eurodollar bonds to accept a bond with so long a life, despite the market's rally following encouraging US trade data. There has not been a new 10-year bond since a deal for the European Investment Bank late last summer.

But Sweden's deal showed that some investors are now prepared to extend the average lives of their portfolios by buying 10-year paper, provided the borrower's name is appealing and it is correctly priced.

The 9¼ per cent bond, priced at 101 to give an initial yield spread of about 75 basis points over the comparable US Treasury bond, was seen as fairly priced, although lack of supply recently meant there was little with which to compare it.

The bond came against the background of a firm Eurodollar secondary market as the US Treasury market appeared optimistic that foreign investors will participate in the forthcoming quarterly refunding auction, details of which are due tomorrow. Ten-year Eurobonds rose by about ½ point while shorter-dated issues rose by between ⅛ and ⅜ points.

Chase Investment Bank launched a $150m three-year bond for Creditanstalt-Bankverein, the seventh deal at the short end of the Eurodollar yield curve this year.

Some primary market participants said they were worried that too much paper was building up in this area, though recent bonds maintained their yield spreads relative to US Treasury bonds.

Creditanstalt's issue appeared to meet a fair reception, although dealers said the borrower's name was much better known in the more retail-orientated sectors, such as Australian dollars. The 8½ per cent issue, priced at 101⅜ to give a 75 basis point differential over yields on US Treasury bonds, was quoted at less 1.40 bid, a shade outside 1⅜ per cent fees.

Meanwhile, the European Investment Bank's venture into the 10-year area of the Canadian dollar market met a less enthusiastic response from the market than Sweden's move in the Eurodollar area.

McLeod Young Weir International led the C$130m 10¼ per cent deal, priced at 101¼ to give a yield margin of 56 basis points over the reference Canadian government issue. This was considered somewhat tight even though the Canadian dollar bond market, like Eurodollars, has not seen a new 10-year issue since last summer. The bond was bid at less 2, a discount equivalent to total fees.

INTERNATIONAL BONDS

Bankers Trust International led a C$75m five-year 10 per cent bond for Kansallis-Osake-Pankki, also bid slightly outside its 1⅞ per cent fees at less 1.90. It was priced at 101½.

Electricite de France borrowed Y30bn in the Euroyen market, even though that sector has been overshadowed by the recent rally in Eurodollars, while a two-tranche, longer-dated Euroyen issue for Austria met little interest when it was launched last week.

Nomura International, lead-manager of the EdF issue, said retail selling of Euroyen bonds had let up now, giving the market a stable basis – especially with the yen moving in a narrow range against the dollar.

This provided a fair background for Electricite de France's well-priced 5¼-year 4⅞ per cent issue, priced at 101⅞. It was quoted at less 1⅞ bid, a discount equivalent to the full fees.

Nervousness about oversupply in the Japanese equity warrants sector did not help Daiwa Europe's $150m bond for Sumitomo Metal Mining yesterday. The par-priced five-year equity warrants bond, with an indicated 5 per cent coupon, was bid at less 2, ¼ point higher than its full fees. Earlier this month, new issues had traded immediately at premiums to their issue prices.

Credit Lyonnais (Australia) moved to join in Australia's bicentenial celebrations today by issuing an A$75m three-year 13 per cent bond. But unfortunately the bond, priced at 101¾, came too late for lead-manager Hambros Bank to measure the market response.

Amid continuing firm demand for Danish kroner bonds from European investors, Privatbanken led a DKr300m five-year 10¼ per cent deal, priced at par. It traded at less 1½ bid compared with 1⅞ per cent fees.

D-Mark Eurobond prices were maintained but in thin nervous trading. Three deals emerged.

Late in the day, Deutsche Bank led a DM400m 10-year 6½ per cent par-priced bond for Statoil, Norway's state oil company. Earlier, the same lead-manager led a DM300m eight-year 6 per cent bond for Eurofima, the European railway equipment company, priced at 100½, which traded at less 1¼ bid, against 1⅞ per cent fees.

BHF-Bank led a DM150m seven-year 5¾ per cent issue for the Council of Europe, priced at 100¼. The deal was seen as slightly aggressively priced. It was bid at less 1½ against 2 per cent fees.

The Council of Europe also launched 3m warrants, split equally into two-year instruments giving a call on $100 dollars at an exchange rate of DM1.59, and priced at DM13.50 each, and one-year warrants, priced at DM12.50, to sell $100 at DM1.66. Dealers thought both sets were attractively priced.

Swiss franc foreign bonds closed slightly firmer as large Swiss banks once again cut three to 12-month customer time deposit rates by ¼ per cent. Euro Swiss franc interest rates also eased: three-month rates reached 1979 levels.

Kredietbank (Suisse) led a SFr76m five-year 4½ per cent bond for the European Community, priced at 100⅝. It was quoted at less 1½ bid.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 25

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	95⅞	96	+0⅛	+1¼	8.82
All Nippon Air. 9⅝ 97	100	†96⅝	97¼	+0¼	+1	9.86
American Brands 8⅞ 92	150	†96	96½	−0⅛	−2	9.92
A/S Eksportfinans 7⅝ 93	100	†94⅞	94⅝	+0⅛	+0¼	8.89
A/S Eksportfinans 7¼ 92	150	94⅞	95⅞	+0⅛	+0⅜	8.75
Banc. Bk. Fla. 10¾ 89	200	†102⅞	103⅜	+0⅛	+0⅛	8.37
Belgium 9⅛ 92	400	†101⅞	101⅞	+0⅛	+1	8.66
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	96⅞	96⅞	0	−0⅛	5.26
E.I.B 4⅝ 94	40	96⅞	97¼	0	−0⅛	5.17
Elec. De France 5⅛ 94	20	99½	100⅛	0	−0⅛	5.17
Kansai Electric 4⅞ 94	60	96⅛	96⅝	+0⅛	−0½	5.32
Norway 4¼ 92	60	97½	97⅞	0	−0⅜	4.88
Rep. of Italy 5⅜ 92	150	103⅜	103⅜	+0⅛	−0½	4.78
Sweden 4⅜ 92	50	97⅜	97⅜	+0⅛	−0⅛	4.98
[illegible]						

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available—previous day's price

† Only one market maker supplied a price

Volvo's Secure Return.

For the Investors Interested in Tomorrow.

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Investors in Volvo trucks and shares both expect long-term, secure and profitable returns on their investment.

Volvo endeavours to meet those expectations by offering investors shares that have paid a dividend every year since their first listing in 1935. And by developing a highly competitive truck programme that today ranks Volvo one of the top three heavy trucks in the world.

Volvo shares, now listed in key financial centers such as London, New York and Tokyo, have also increased steadily and securely thanks to the same commitment.

Since 1977, Group profits have risen fifteenfold to exceed £960 million in 1987. Fact is, Volvo has shown a profit every year since 1932.

Committed to consistently improving its result, Volvo nonetheless believes in the absolute necessity of always setting ones sight further ahead into the future.

Which is why Volvo has carefully invested in creating sound management, excellent financial strength, top labour relations and the ability to develop new products and markets.

For Volvo's Secure Return, read positive return on investment, good profits, stable production, creative management, quality employees and products, broadening operations within existing business sectors, and a commitment to the future.

Corporate Finance, AB Volvo,
S-405 08 Gothenburg, Sweden.

VOLVO

RHP cuts bid value on likely Burgess shortfall

BY CLAY HARRIS

RHP Group yesterday reduced the value of its agreed takeover bid for Burgess Group, another electrical engineering company, after Burgess disclosed weak trading results and financial problems in a West German subsidiary.

The revised all-share terms value Burgess at £91m, against £100m under the original offer announced on January 6.

The companies said that the main contributing factors to an expected £2m shortfall in previous estimates of £11m pretax profits for the year to July were exceptional, and that corrective action was being taken.

As a result, however, RHP will now be firmly in the management driving seat of what was initially intended as a merger. Burgess will have only three seats, instead of five, on the 11-person board.

Mr William Todd, Burgess chief executive, will no longer join the board, and his planned position of operations director will not exist. Mr Adrian Weston has been dropped as a proposed non-executive director.

Mr Roger Pinnington, RHP chief executive, said: "When it's merger, you have to compromise. When it's acquisition, you don't." Provisional plans to call the combined group Burgess are now much less certain.

Burgess's profits are expected to be reduced by £750,000 as a result of problems in the West German offshoot of its Micro-Switch subsidiary. The general manager of the West German unit was dismissed at the beginning of December.

The circumstances were still under investigation in West Germany, Burgess said.

Also leading to the renegotiation was a sharp fall in orders by the US motor industry to Burgess's American Electronic Components subsidiary. Orders were cancelled overnight, Mr Bob Morton, Burgess chairman, said yesterday.

The other problem which emerged last week was an "unfavourable sales mix" at Burgess's coin division. Orders for new higher-margin products had fallen short of target.

"If any of this has been caused by weak management, that weak management will be attended to," Mr Morton said. His appointment as deputy chairman of the combined group will be unaffected by the change.

The new terms, which RHP presented to Burgess as an ultimatum, were agreed after a long session on Friday. Mr Morton said: "In all the circumstances, I think it's fair."

Burgess is now likely to be part of RHP for seven months of the latter's financial year to September.

Yesterday's revision, which was approved by the Takeover Panel, was the largest renegotiation of an agreed UK takeover since last February, when APV cut by 17 per cent the price it was offering for Baker Perkins after problems came to light in one of the latter's operations.

In that case as well, the planned top management of the merged group was changed as a result of the discovery.

RHP is now to offer six of its shares for every five of Burgess's, compared with the original 13-for-10 terms. Burgess shares dropped 42p yesterday to close at 235p while RHP shares fell 12p to close at 201p.

See Lex

Gulliver clears legal hurdle

BY CLAY HARRIS

THE COURT of Session in Edinburgh yesterday refused an application for an interim interdict to block Mr James Gulliver's proposed management buy-in at Waverley Cameron, the Scottish stationery company.

The interdict had been sought by Flavell Communications, an Edinburgh company controlled by Mr Kevin Doyle. He said last night that he was considering his position, including a possible appeal.

Flavell separately said it had raised its stake in Waverley Cameron to 24.3 per cent. The shares were suspended at 445p, pending the outcome of the legal action.

Waverley Cameron said last night: "The continuing uncertainty resulting from Flavell's actions reinforces the unanimous view of the board that Mr Doyle is not a suitable person to be involved in the management or control of the company."

However, Mr Doyle expressed his disappointment at the ruling and said Flavell would vote against the plan at an extraordinary meeting on February 17.

He said: "The provisions of the Companies Act are designed to protect the rights of minority shareholders and we cannot support proposals which would result in the issue of shares to one shareholder at 120p a share when at the time the proposals were announced the share price was 330p. To issue shares at such a substantial discount when all shareholders are not allowed an opportunity to participate is unjust."

Talbex falls deeper in the red

THE SECOND-HALF improvement expected by Talbex, industrial holding company, failed to materialise and full year losses increased by 59 per cent from £806,000 to £1.28m. However, a tax credit of £83,000 and extraordinary credits of £361,000 relating to the disposal of the industrial division reduced this to £837,000 (£1.01m) after tax.

Reviewing the results for the year to July 31 1987, Mr Beverley Ditcham, chairman, said that while they were far from satisfactory, the group now had a strong financial base and it was well able to finance its immediate expansion plans.

Turnover in the latest period had increased 30 per cent to £17.54m (£13.47m). Redundancy costs and compensation for loss of office accounted for £70,000 (nil). Loss per share was 1.91p (1.33p). The advertising division had again been a major contributor to the loss. Action taken to tackle deficiencies in management information and accounting systems and also to cut costs had reduced losses sharply in the current year.

Johnson Cleaners in £3m US expansion

Johnson Group Cleaners is extending its US operations with the cash purchase of three companies for $5.35m (£2.98m).

The group has paid $1.5m for Duggins, which operates a large dry cleaning and laundry plant in Kansas City and $1.3m for Princess Rose Cleaners with 11 outlets in and around Oklahoma City.

Johnson has also bought retail printer Insty Print, which operates five outlets in Nashville, Tennessee, for $2.55m. The business will be integrated with the Johnson subsidiary Dodge Cleaners, of Nashville.

In 1987 the total turnover of Duggins, Princess Rose Cleaners and Insty Print was $4.66m, with pre-tax profits of $963,000.

Johnson's US subsidiaries contributed almost 30 per cent of the group's turnover in the year to December 1986. Johnson shares closed 10p up last night at 430p.

Lysander in black

Directors of Lysander Petroleum revealed a first-half pre-tax profit – the first time the group has been in the black since its placing on the USM in August 1985. They expect the oil and gas exploration and development group to show significant progress by the year end "reflecting the true potential of the recently-acquired Crossroads Oil."

Taxable profits came out at £60,460 (loss of £38,470) on a merger accounting basis for the six months to September 30 1987. After tax of £20,000 (nil), earnings per 5p share worked through at 0.16p (loss 0.23p).

R-R warns holders of excess stakes

By Philip Coggan

SOME 2,583 foreign shareholders in Rolls-Royce, the privatised aerospace company, have still not sold their holdings and face the compulsory sale of their shares.

The Government announced at the time of the issue that foreign shareholdings would be limited to 15 per cent of the equity. But it was eventually found that the limit had been passed by about 46m shares and the company told the excess holders to dispose of their stakes.

Holders of about 31m shares have done so; but a letter was sent to the remaining excess holders yesterday saying that the last date for receipt of confirmation of disposal by the company's registrar was February 5. The company will sell any shares which have not been disposed of by then.

Pearson

Pearson, the conglomerate which owns the Financial Times, is to redeem all outstanding bonds of the $75m convertible 2001 issue in a tidying-up operation on March 10. More than $50m of the bonds have already been converted into ordinary shares by investors and remaining bondholders will still be able to convert until March 2 on the original terms, equivalent to 500p a share.

Guinness buys

Guinness, the brewing and spirits group, bought 6.56m of its own shares on Friday to take its holding to nearly 13.06m shares, about 1.6 per cent of the total.

The shares were bought at 285.4p, close to Friday's closing price of 286p. Guinness shares added 2p yesterday.

Guinness has refused to confirm speculation that it has entered the two-month "close season" before the publication of its results for 1987. Trading in its shares subsided yesterday to a routine 2.1m, one tenth of Friday's volume of 21m, an eight-month peak.

Duncan Lawrie

Duncan Lawrie, the private banking subsidiary of Walter Duncan & Goodricke, made post-tax profits of £771,045 for 1987, an increase of 13.5 per cent over £680,421 in 1986.

Banking services showed good growth, but investment management had an exceptionally difficult year. Mr Nick Grant, chairman, said the group was well placed to withstand turbulent conditions in 1988 and to take advantage of business opportunities.

Group assets are £79.9m, up from £65.9m at the end of 1986.

G T Japan Invest

G T Japan Investment Trust, one of the trusts managed by G T Management, reported a fall from 347.8p to 311.2p in its net asset value per 25p share in the six months to December 31 1987. In the previous 12 months, the net asset value per share was 299.8p.

The interim dividend is unchanged at 0.4p – last year the total was 1.7p.

Illingworth

Illingworth Morris, the wool and textiles group, has announced that Hartley Industrial Trust, is transferring its interest in 8.5 per cent of Illingworth to Walbrook Investments nv at 143.5p.

Christopher Parkes considers Rowntree's sale of Tom's Foods

Finding a sweeter US base

THE RETREAT continues. Rowntree yesterday joined the ranks of British food companies which have seen the whites of the US enemy's eyes and not much enjoyed the experience.

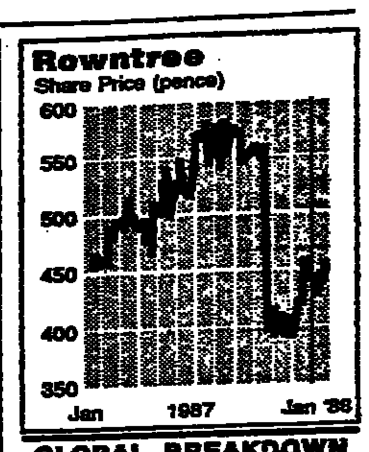
However, while many have given up, Rowntree will assuredly be back to try again. Even though the impending sale of Tom's Foods, crisps and savoury snack maker, will strip the British confectionery group of its largest US asset, it still has considerable holdings on which to build.

Hot Sam's corn dogs and Original cookies are selling well enough and promise to do better. The cookie kiosks have even been successfully transplanted into Europe. But the most strategically important operation is Sunmark, bought in 1986.

Its position in the fragmented, high-margin sugar confectionery trade offers Rowntree a far stronger base from which to attack again than savoury snacks or chocolate ever could. Company officials claim Sunmark's Willy Wonka, Nerds, Sweetarts and other products account for more than 10 per cent of all US sugar sweets sales.

Despite its international strength in chocolate - KitKat is the second biggest chocolate brand in the world - the company has little hope of penetrating the US on any scale. Mars and Hershey control about 70 per cent of the trade. Rowntree's best-sellers KitKat and Rolo, incidentally, are held hostage by Hershey, which has licences to make and market them in the US.

Kenneth Dixon 'Uneasy about the US'



GLOBAL BREAKDOWN OF TRADING PROFIT

Area	%
UK	45
Europe	7
North America	33†
Australasia	4
Rest of World	11

† 25% following sale of Tom's Foods

Cadbury, which has felt the American companies' competitive bite, holds a further 8 per cent through Peter Paul, and Nestle has another six points of market share.

The unease of Mr Kenneth Dixon, chairman, about the US market was evident back in 1982.

Contemplating his first move, and six months before he paid £140m cash for Tom's Foods, he said it might be possible to side-step confrontation with the chocolate giants by moving into some other food sector. However, he added, the double jeopardy of mastering new products in a strange land was something he would rather avoid.

Although Tom's was strong in the southern states, its lack of big brands meant the multiple retailers were not interested, national distribution was accordingly difficult to obtain, and the company found itself stuck in a retailing niche where it was dependent on small shops and vending machines.

Life was made even more uncomfortable as major snack makers, such as Pepsico with its FritoLay brand, moved in on the regional and niche markets.

Cost-cutting experts were shipped from headquarters in York, new distribution systems were installed, fresh management arrived last year, and although Tom's produced steady cash returns, it simply refused to grow. Efforts to make it develop were diverting too much management time and expertise.

The simultaneous suction of Rowntree Snack Foods in Britain – formerly Sooner Foods, and best known for its Murphy's and Riley's crisps, Nik Naks and Groovers – underlines the group's decision to concentrate its production and marketing skills on what it knows best: branded confectionery and specialist confectionery retailing.

Global strategy remains unchanged. According to Mr Nick Nightingale, company secretary, the target is to balance earnings in the rough ratio of 40 per cent in the US and 50 per cent in Europe. Selling Tom's will reduce the US share from about 33 per cent to 25 per cent, but it will also yield substantial funds to back the drive to recover this lost ground through buying in the less fraught sugar confectionery sector.

Dobson attacks MS figures

Dobson Park Industries, the diversified engineering company, yesterday attacked the erratic profits performance and low dividend yield of MS International, the mining equipment and electronics group for which it is bidding £24.4m.

In its official offer document, Dobson Park also argued for the "clear and compelling industrial logic" of combining the two companies to create a broadly based UK mining equipment group with expanded defence and industrial electronics interests.

Considering MS's record over the past five years, Dobson Park said shareholders' funds had nearly halved, with the prospect of a another fall of nearly 15 per cent if a warranty claim against the company was successful.

There had been pre-tax losses in two of the five years, and net extraordinary charges over the period amounted to more than three times post-tax earnings. It estimated MS's gearing at 96.4 per cent at May 2 last year.

Mr Michael Bell, MS chairman, admitted last night that borrowing was still too high despite the sale of assets. "The important thing is, it's moving in the right direction."

"Nothing here frightens me whatsoever, in fact I'm delighted it's going to be such an easy battle," said Mr Bell, who pointed to the widening gap between the Dobson Park offer and his company's share price.

With Dobson Park shares 2p lower yesterday at 103p, its shares-and-cash offer is worth 91.5p, compared with MS's market price of 110p, up 1p. There is a cash alternative of 90p.

Reorganisation of KCA capital planned

KCA Drilling, the oil services company, has announced proposals for a reorganisation of capital aimed at restoring the ability of the company to pay dividends on profits earned after the end of 1987.

The proposals involve reduction and cancellation of the company's unquoted deferred share capital and a reduction of the share premium account. The scheme would not affect ordinary shares.

In Shops valued at £11.8m

BY PHILIP COGGAN

In Shops, a company which operates shopping centres for small retailers, has announced details of its placing on the main market. Albert E Sharp is placing 6.41m shares, 28.2 per cent of the equity, at 52p each, giving the group a market capitalisation of £11.8m.

The first In Shops operation was set up by Mr David Newman and Mr Alan Fitzpatrick in Sutton Coldfield in 1976 when a [illegible] was converted into an indoor market for 47 retailers. The company now operates 24 such centres, divided into 1,300 individual units, of which just 29 were empty at the end of last year.

Retailers pay a licence fee which covers all occupancy charges except energy costs, which are separately metered and charged.

In the year to March 31 1987, In Shops made pre-tax profits of £920,000 on turnover of £5.93m; it is forecasting pre-tax profits of £1.2m in the current year. That puts the shares on a prospective p/e of 13 at the placing price.

New US investor takes stake in Cambrian

BY NIKKI TAIT

A NEW investor has appeared on the scene at Cambrian & General Securities, the former UK investment trust vehicle of Mr Ivan Boesky, the convicted American insider dealer.

Mr Lance Lessman, together with two entities which he controls – namely, Hope Capital Corporation and LL Capital Partners LP – has declared a 5.04 per cent interest in Cambrian ordinary shares.

Mr Lessman is a New York-based investor, and has apparently been a shareholder in Cambrian for some time but only recently raised the stake.

The largest shareholder in Cambrian is The US Securities and Exchange Commission, which holds 12.68 per cent of the ordinary shares and 54.6 per cent of the capital shares.

The SEC has indicated that it wants to avoid opening itself to charges of insider trading when disposing of assets obtained under its settlement with Mr Boesky – and this is thought to be one major factor influencing the timing of any sale of its Cambrian stake.

Aside from that interest, a further 9 per cent of the capital shares and 2 per cent of the ordinary are held by Heine Securities, the New York-based mutual fund group which specialises in undervalued asset situations.

Arlington

Arlington Securities has bought Joshua Taylor, the family-owned Cambridge department store, for £4.15m in cash.

Electrocomponents £7.7m expansion

Electrocomponents, electronic and electrical distribution group, is strengthening its decorative lighting business with the acquisition of Nuthall Lighting for a maximum consideration of £7.7m.

Nuthall is a Midlands-based privately owned group of companies. Taxable profit in the year to March 31 was £851,000. The managing and production directors have entered into three year service contracts.

Electrocomponents is paying £6.6m in cash and issuing £1m worth of 5 per cent convertible stock. A further payment of up to £1.1m will be due in June if Nuthall achieves pre-tax profits of £1.1m.

Theme calls off takeover bid for clubs

By Heather Farmbrough

Theme Holdings, London-based leisure group, has called off its proposed takeover bid for Miss World Clubs, the Business Expansion Scheme company which operates two members-only social and health clubs.

Theme blamed "certain misunderstandings that occurred concerning information passed between the companies." These concerned the membership of the Heathrow club, which operates the most attractive venue to Theme.

Mr Chris Norland, executive deputy chairman of IFICO, Industrial Finance and Investment Corporation, a sponsor for Miss World Clubs, said that "the people who were going to be involved in the day to day running of the business were getting on very well up until the first press release. Shortly afterwards, that relationship turned sour."

He added that Miss World Clubs, which lost £284,000 in the year to March 31, must look at other alternatives. "No business can carry on losing money," he said.

Miss World Clubs raised money under the Business Expansion Scheme in November 1985 when the Miss World Group became a principal shareholder.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Crescent Japan ....fin	0.4	Apr 11	0.15*	0.4	0.15*
GT Japan Invst ....int	0.4	Mar 14	0.4	-	1.7
KLP Group § ....fin	3.2†	April 7	2.5	5	4
London Shop ....int	2.25	-	1.55	-	6.2
McKay Securities ......int	2.3	-	2	-	4.2
New Tokyo Inv	nil	–	0.1*	nil	0.1*
J Saville Gordon........int	0.33	April 6	0.3*	-	1.28*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Unquoted stock. ¶Third market.

UK COMPANY NEWS

TI sells US offshoots for $200m

BY NIKKI TAIT

TI Group, British engineering company, yesterday announced that it had sold the six peripheral businesses acquired as part of its $500m (£281m) acquisition of US-based Houdaille Industries, for $200m in cash.

At the time of the deal, announced in late-August, TI made clear that its interest lay in Houdaille's John Crane business, the world's largest manufacturer of mechanical seals.

The $500m paid for Houdaille was made up of $112m for the issued share capital – financed by a vendor placing – and the assumption by TI of $388m of borrowings. At the time, TI suggested that the six engineering companies within Houdaille which did not fit with the UK group's strategy could be conservatively valued at $190m.

Negotiations over the sale of these businesses to a New York investor group, led by leveraged buyout specialists Kohlberg, Kravis Roberts & Co, got underway shortly after the main deal, and TI says a price of $220m was envisaged pre-crash. However, the sharp fall in financial markets in mid-October meant that the transaction had to renegotiated. In addition to the $200m cash consideration, TI will receive $2m worth of preference shares in the acquisition vehicle.

The investor group which is buying the six companies includes a management element. Before TI arrived on the scene, Houdaille itself was a private company controlled by KKR & Co. It was one of the first companies to feature in a wave of leveraged buy-outs at the turn of the decade.

TI has already redeemed the the $175m of junk bond debt which it assumed as part of the Houdaille purchase. The $200m will go towards paying down further debt. "As a result of these steps TI now has no gearing, an improved cash flow and is in a strong financial position from which to pursue other opportunities."

The UK group, meanwhile, is still ploughing on with its defence against the two legal actions resulting from the decision to abort its $144m bid for Bundy Corporation, the leading US manufacturer of small-diameter tubing, in the wake of the stockmarket crash. TI says that matters are only approaching the pre-trial discovery stage and that any hearing is a long way off.

TI shares added 5p initially on the disposal news, before easing to 335p - up 3p on the day.

London Shop rises 29% to £4.9m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

London Shop, the property company whose foundations are in retail property but which also has office and housebuilding interests, yesterday announced a 29 per cent increase in first-half pre-tax profits and raised its interim dividend.

Taxable profits for the six months to October 31 were £4.9m compared with £3.8m in the same period of 1986 and £8.4m for the full 1986/87 year. Earnings per share rose to 5.8p (4.6p).

Shareholders are to receive an interim dividend of 2.25p, which is 0.7p higher than last year. The board has decided to lift the proportion paid at the interim stage.

But Mr John Bushell, chairman, said that the group expected to match last year's final dividend of 4.65p, opening the way for at least 6.9p for the year or 11.3 per cent more than in 1986/87.

So far London Shop has seen no change in property market conditions since the collapse of the stock market. With the aid of contributions from new acquisitions, net property revenue in the second half should top the £7.16m earned in the first half.

The housebuilding market in East Anglia, London Shop's main area of revenue operations, has held up since October, although Mr Bushell thinks it may be about to level off. It produced £1.1m in the first half, against £822,000 last time.

London Shop is warning shareholders, however, that property trading profits, which in the first half amounted to £759,000, were likely to be less in the second. The group has disposed of a number of properties in its portfolio and has diminished the stock it wants to sell. This year, however, it has been a net investor and earlier this month announced a series of purchases totalling £10.7m to provide an initial yield of 8.5 per cent.

Britoil says BP offer still too low

By Steven Butler

The board of Britoil, Britain's largest independent oil company, yesterday formally rejected BP's improved offer for the company, and said that at 500p per share, the BP offer still undervalued Britoil's assets.

Talks were understood to be taking place with several potential "white knights" who may be in position to put in a higher offer for the company.

Oil industry analysts were skeptical that another bidder would be found at this late date to top BP's latest offer, which was announced Friday after Atlantic Richfield indicated that it intended to accept the BP offer for its 24 per cent stake. Arco, however, is not under binding commitment and would be free to accept any higher offer.

Britoil said that it was continuing to seek clarification from the Treasury as to precisely how the Government would use its "golden share," which allows it to prevent BP from gaining control of the Britoil board.

The Government has said it would prevent any bidder from gaining control of the company, although it is unclear precisely what this means for Britoil's future management. Government control of the company would be particularly awkward should BP succeed in gaining control of 100 per cent of Britoil.

The Treasury, however, is thought unlikely to clarify its position further until closer to the expiry of the BP's first offer for Britoil on February 4.

Capel report cuts Tricentrol asset value as Elf extends bid

BY STEVEN BUTLER

Elf Aquitaine, the French oil group, yesterday extended its 145p-per-share offer for Tricentrol, the UK independent oil company, until February 12, and issued an independent report on Tricentrol that valued the company at 68.5p per share.

The report, prepared by the Petroleum Services Department of James Capel, savaged the assumptions underlying an earlier report on Tricentrol prepared by industry consultant ERC which valued Tricentrol at 234p per share.

Specifically, Elf said 65p per share of asset value had been added by an assumption that Tricentrol would spend £10m per year in real terms after the early 1990s on acreage that the company did not yet own, thus improving the company's tax position.

By substituting a 15 per cent discount rate on future cash flows from oil and gas fields, for the 12 per rate in the ERC report, Elf calculates a reduction of 68p in the asset value per share.

A further 31p was calculated to have been added to the per share valuation by what Elf says are optimistic views in the ERC report about the sterling price of oil, which was assumed to rise by 10 per cent annually over the next five years.

The James Capel report puts a range of value on the Tricentrol assets of between 16p and 121p, with 68.5p the arithmetic mean.

Mr John Tylor, of Samuel Montagu, which is advising Elf, said that the report aimed to replicate the exercise performed by ERC while plugging in more realistic assumptions. Mr Tylor, however, acknowledged that Tricentrol was worth far more to Elf than the valuation mean specified in the James Capel report.

"Elf is willing to pay a premium over the discounted cash flow because it is in this for the long run," he said.

Tricentrol shares yesterday closed off 4p at 157p.

KLP up 17% after Asda costs

BY ANDREW HILL

KLP Group, independent sales promotion company, yesterday announced pre-tax profits of £2.45m for the year to September, up 17 per cent on 1985/6, despite the cost of its two-year legal dispute with Asda, the retail group.

The dispute was settled amicably just before the year-end and KLP issued credit notes totalling £340,000 to Asda. The retailer paid the balance of its disputed account and withdrew its claim for additional damages of £773,000 against KLP.

Legal fees and the cost of the settlement wiped about £400,000 off the pre-tax profits. A further £200,000 was written off against acquisition advisors' fees and the cost of setting up two new subsidiaries.

Major purchases during the year nearly doubled the company's net assets to £12.4m (£6.9m). The profits include a three-month contribution from new US subsidiary Comart Associates, but purchases in the US and France also lifted the tax charge 55 per cent to £884,000.

Further expansion was cut short by the stock market crash. The cost of suspending takeover deals and of closing down a Canadian direct marketing subsidiary contributed to an extraordinary loss of £140,000.

KLP, which achieved a full listing last June, is now renegotiating the suspended deals and hopes to expand further in Europe and the US.

"We don't see any reason to stop just because the market has stopped," said Mr Colin Lloyd, chief executive, yesterday.

Turnover for the year was up to £34.5m (£29.1m) and a final dividend of 3.2p makes a net 5p (4p). Earnings per share dropped to 18.56p (20.29p).

• comment

When KLP announced in 1985 that Asda was seeking damages for a store promotion which allegedly went wrong, shareholders wiped £3.2m off the company's market value in a day. KLP executives were understandably irritated that the reverse failed to happen when the settlement was announced in September. Since then the crash has done its worst – last night shares stood at 260p compared with up to 512p before October 19 – but the company seems to have mopped up the worst effects of both misfortunes with yesterday's figures. Direct mailing, telephone marketing, and in-store merchandising should resist any recession and KLP hopes to improve its database technology - the means of storing the lists of our names and addresses on which the success of sales promotion rests - which should provide further security. The company says it has £5m cash to hand for small purchases, and these will continue to improve its international profile. Further acquisitions and a full year contribution from last year's purchases promise pre-tax profits of around £4.5m. KLP shares on a prospective p/e of about 9 look attractive.

B&D has 2.7% of Dee shares

By Nikki Tait

Barker & Dobson, the sweets and supermarket group which is waging a £2bn bid battle for control of the substantially larger Dee Corporation, announced that it controlled 2.7 per cent of its target's shares by yesterday's second close. The offer is being extended to February 5 – day 46 of the bid.

Of the 24.26m shares controlled by B&D, 19.6m (2.2 per cent) come through acceptances while 4.6m (0.5 per cent) is actually owned by the bidder. Because of the relative sizes of the two groups, B&D is unable to purchase further shares through the market.

At the first closing date two weeks ago, B&D had acceptances from holders of 1 per cent of Dee's shares.

Yesterday, the new level of acceptances was again criticised by Dee. "They can't have got much encouragement," commented Mr Alec Monk, Dee's chairman and chief executive, "This present offer clearly isn't of interest to the institutions." Dee is expected to produce a current year profits forecast later this week.

Saville Gordon advances 15%

J Saville Gordon Group, the Midlands-based property investor, metal merchant and securities dealer, increased pre-tax profits 15 per cent to £1.63m for the half-year to October 31 1987.

Group turnover more than doubled from £19.59m to £40.05m, mainly due to extra activity in the securities and commodity division amounting to £24.09m (£4.33m). An interim dividend of 0.33p is declared, compared with 0.3p adjusted for scrip.

Last year's £1.42m profit was before an extraordinary credit of £2.79m net relating to profits on the sale of the group's holding in Duport.

Mr John Saville, chairman, said that the pipeline equipment and stockholding division had enjoyed an excellent first half and buoyant trading conditions were continuing. The metal trading and processing division had also seen better trading conditions in the first six months and demand remained at a high level.

The recent sharp fall in share prices had had its effect on the securities and commodity trading division, with a much higher level of activity showing a smaller profits rise to £509,000 (£370,000).

The property investment division had shown a 13 per cent increase in profits, and during the second half should see a sharp increase in rental income as a result of recent acquisitions and profits on the sale of completed development projects and certain investment properties are anticipated.

Earnings worked out at 1.094p (0.915p) after tax of £571,000 (£532,000).

Aurora extends range by £6m Westpark buy

BY CLAY HARRIS

Aurora, the Sheffield-based engineering company, is extending its diversified product range through a £6m acquisition. The subject is Westpark, which owns the Truflo companies which were part of Wilmot Breeden until its takeover in 1979 by Rockwell International, the US aerospace and electronics group.

The £6m in cash to be paid by Aurora compares with the £6.8m price-tag when Westpark was created in a management buy-out from Rockwell in 1980.

The Truflo companies in the UK and Belgium make high-performance marine and industrial valves, high-alloy fabrications for aerospace and gas turbine uses and vehicle and industrial fan units.

In 1986, Westpark reported pre-tax profits of £1.07m on turnover of £15.5m. At the end of 1986, it had net assets of £4.02m.

The agreed price is believed to be about 25 per cent below the figures being discussed before the October crash, when negotiations were interrupted.

Although the transaction is for cash, it will require the approval of Aurora shareholders because of the presence of Electra Investment Trust as a 19.1 per cent shareholder in Aurora and as an original backer of the Westpark buy-out.

Aurora's scrutiny of Westpark's books discovered that £650,000 in preference shares had been invalidly redeemed (because insufficient reserves existed) in 1983. Previous holders are expected to repay this figure to the company, and the shares will be treated as if they had never been redeemed, intervening interest and dividends having cancelled each other out.

Freemans says yes to Sears bid

By Nikki Tait

Freemans, the mail order group, has bowed to the inevitable and decided to recommend shareholders to accept the £477m bid from retail giant Sears. The board says it will write to its shareholders shortly.

On Friday – the bid's final close – Sears announced victory, having gained control of 56 per cent of Freemans equity. Included in that was Sears' own 29.9 per cent stake.

The bidder, who has already declared the offer unconditional in all respects, was offering 315p in cash with a loan note alternative, both of which remain open for acceptance.

Berisford confirms lower stake in cocoa venture

BY CLAY HARRIS

S & W Berisford, the sugar refiner and commodities trader, said yesterday it owned 25 per cent of a cocoa-processing partnership with W R Grace, the US conglomerate, which has finally been completed after seven months of negotiation.

The reduction from the originally planned 32 per cent stake had been forecast earlier this month. Berisford's stake in Grace Cocoa directly reflects the proportion of its contribution of assets to the venture.

Berisford is also to pay Grace a total of up to $2.9m (£1.63m) over the next two years under a trade name licence deal.

The partnership's administration will be based at Grace's headquarters in New York. It is to be headed by Mr Pedro Mata, president of Grace's cocoa products division.

The companies described Grace Cocoa, with annual sales of more than $700m, as the "world's leading supplier of cocoa and chocolate products to the baking, confectionery and dairy industries." It has about 10 per cent of world cocoa-processing capacity.

Molinare holds recovery trend

Molinare Visions, in which W.H. Smith subscribed for a controlling interest last May, returned to profit in the 11 months ended November 30 1987.

The USM quoted group, which serves the radio and television industries, has produced a pre-tax profit of £320,000, compared to a £3.1m loss in the year 1986. Some £300,000 was earned in the last five months.

The current accounting period runs for 17 months to May 31 1988 (to come in line with W.H. Smith) and for the rest of the period the directors said they expected satisfactory trading results after allowing for normal seasonal downturn.

Turnover in the 11 months amounted to £13.58m (£10.97m for year).

McKay Securities ahead

McKay Securities, Reading-based property investor and developer, reported pre-tax profits up from £1.32m to £1.43m in the six months to end-September.

The interim dividend is set at 2.3p (2p) and the directors, stating expectations of a favourable second half, forecast that the final dividend should at least match the interim payment.

The outcome was achieved on gross rents and receivable service charges amounting to £2.87m (£2.61m), and income from investment properties of £2.03m (£1.93m). Share of profit of associated companies contributed £20,000 (£27,000).

Direct property outgoings took more at £839,000 (£678,000), while administration and other expenses accounted for £323,000, up from £276,000 last time. Interest charges, however, were reduced at £299,000 (£356,000).

After tax of £388,000 (£346,000), earnings per 20p share worked through at 4.7p (4.4p).

SHARE STAKES

CHANGES in company share stakes announced over the past week include:

National Home Loans Corporation: Bank of Kuwait nominees have sold 1.1m shares at 75p each, bringing their holding to 3.27m shares (5.07 per cent).

G.T. Japan Investment Trust: The Kuwait Investment Office has reduced its holding to 4.55m shares (14.59 per cent).

Barry- Wehmiller: The Kuwait Investment Office has increased its interest from 325,000 to 3.4m shares.

Linread: Anochrome Holdings, a private company, has acquired a further 212,161 shares, bringing its total holding to 1.03m shares (8.78 per cent).

C A Sperati: Mr C.L. Barnard has reduced his beneficial interest to 11,600m shares (11.6 per cent).

Pathfinders: Cleves Investments now holds 2.24m shares (9.4 per cent).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- AGB Research, British Bloodstock Agency, Finlan, Flogas, Osprey Communication, Practical Investment, Press Tools, Martin Shelton, John D. Wood.

Finals- Hush and Tompkins, Westminster and Country Properties.

FUTURE DATES

Interims-	
A C Holdings	Jan 29
Scottish, English and European Textiles	Feb 23
Finals-	
Edinburgh American Assets	Jan 28
Microsystems	Feb 3
Midland Bank	Feb 16
Royal Insurance	Feb 24

Charles Hodgson on the progress of Soviet farm reform

Gorbachev's agricultural gamble

THE ANNOUNCEMENT by the Soviet Union at the weekend of the second grain harvest above 200m tonnes in the past two years provides some encouragement for Mr Mikhail Gorbachev, the Soviet leader, in his drive to overhaul the country's chronically under-performing agricultural sector.

The harvest, at 211.3m tonnes, was in line with previous Soviet and US estimates, but follows a particularly harsh winter and wet summer that badly hampered seeding and harvesting. It was the fourth largest harvest in the country's history and comes on top of an impressive 210m tonnes in 1986. Overall, however, the 1.8 per cent rise in total agricultural output in 1987 was disappointing following the 5.1 per cent advance achieved in 1986.

Although Western analysts remain cautious about the Soviet Union's ability to maintain and improve on these figures, especially in the light of reports that preparations for this year's spring plantings are already lagging, some suggest that the first results of Moscow's bid to increase efficiency in the farm sector may be feeding through.

Mr Gorbachev, who holds a degree in agricultural science and was in charge of Soviet agriculture from 1979-83, has stressed the importance of tackling the country's stubborn food supply problems within his overall economic reform programme and recently promised to "open all doors" to farmers willing to take up the challenge.

The Soviet leader is taking a political gamble on achieving a speedy breakthrough in agriculture to satisfy consumers who will have to wait longer to feel the benefits of reform of the country's industry.

He has announced a series of measures designed to give farm workers greater incentives to increase productivity and yield and raise the quality of their produce.

In doing so, Mr Gorbachev has reached back to the roots of communism to revive the Leninist notion of the collective farm as a voluntary self-governing co-operative based on traditional peasant family-oriented farming, while stressing that he in no way intends to undermine collectivism, brutally imposed by Stalin in the 1930s at the cost of millions of lives.

The key element of the Gorbachev reforms, drafted earlier this year and due to be discussed at a collective farm conference, probably in March, is to encourage yet wider use of the "team contract" farming system, under which groups of workers, often extended families, rent plots of land on collective farms, to which they sell their produce, with income tied to results. The teams agree on the level of output they are to deliver to the collective and then either keep the surplus to sell at the higher market price or sell it to the collective at a bonus price. Collectives themselves will be allowed to sell up to 30 per cent of planned production of fruit and vegetables in the semi-free markets.

Collective farm workers will be able to use machinery and pastures owned by the collective for private gardening and livestock rearing. In addition, farm workers are being better educated in rational use of fertilisers and pesticides.

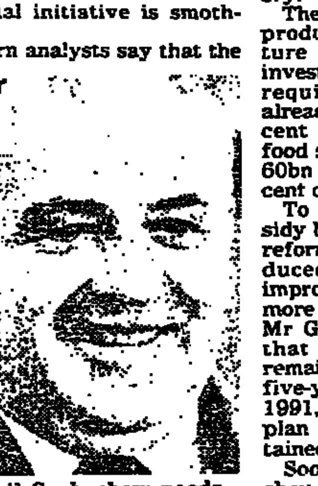
Collectives are to be allowed to rent, lend or even sell farm equipment and machinery and buildings and to make work contracts with labourers. They will also be permitted to set up food-processing plants and conclude their own trade agreements directly with agricultural co-operatives in the East bloc, developing countries and the West.

Collective farms will be allowed to produce badly needed building materials or consumer goods, once they have fulfilled their commitments to the state and will have a greater degree of responsibility for setting their own production targets, loosening the grip of central control.

The sting in the tail for farms is the same as that facing the country's industry. Collectives will be responsible for paying their own way in foreign trade agreements and activities outside the state plan. So trade ventures will not be bailed out by the state. According to the Soviet press, 33 per cent of the country's 27,000-odd collective farms are now operating on a cost-accounting basis, no longer able to rely on heavy state subsidies.

Behind the programme lies a recognition of the need to encourage farmers to feel more responsibility for their produce. Soviet planners now concede that, under the existing heavily centralised system, the scope for material incentives and individual initiative is smothered.

Western analysts say that the current system, based on plan-fulfilment above quality or productivity concerns, contributes substantially to the high level of crop losses, waste and shortages in the shops. It is estimated that up to 30 per cent of some crops (and 50 per cent for potatoes) is lost between the field and the market place.



Mikhail Gorbachev: needs a speedy breakthrough

The tiny private sector provides a remarkable contrast. Over 25 per cent of the country's food supplies are produced on the less than 3 per cent of land farmed privately. Mr Gorbachev is seeking to encourage private farming by allowing city dwellers to rent disused farm houses and plots on condition that they turn over a proportion of their output to the collective.

The team contracting system has already proved attractive. Western experts estimated that 76 per cent of the country's agricultural labour force is now working under the system and they say that productivity is improving. But the success of the entire programme hinges largely on desperately needed improvements in agricultural infrastructure. Grain silos and storage facilities, as well as grain dryers and food processing plants, are inadequate. The country's rural road system is appalling, and there are constant shortages of spare parts and even fuel for farm machinery.

There is no point improving production if this infrastructure is missing, and a major investment programme will be required. Soviet agriculture already swallows about 30 per cent of total investment and food subsidies account for some 50bn roubles a year, or 15 per cent of the state budget.

To offset this crippling subsidy burden, some form of price reform will have to be introduced alongside efforts to improve efficiency and secure more rational use of resources. Mr Gorbachev has announced that producer prices are to remain stable under the present five-year plan, which runs to 1991, while bonuses for above-plan production will be maintained.

Sooner or later, Mr Gorbachev will have to face up to the potentially explosive issue of raising consumer prices, many of which have remained unchanged since the 1950s. He may soften the blow by holding down the price of staple products, like bread, dairy products and meat, but allowing prices for others, like fruit and vegetables to rise.

But the Soviet leader is hoping that by then his reform programme will have increased both the supply and variety of goods in the shops so that consumer discontent may be eased.

Western experts detect signs of a new mentality abroad among soviet farm workers and say they are beginning to take up Mr Gorbachev's challenge. Farmers worldwide are no strangers to being hostage to factors beyond their control, such as the elements and soil conditions. But Soviet farmers suffer additionally the leaden weight of bureaucracy and the often crippling shortages of basic tools to do the job. As with Mr Gorbachev's wider reform programme for the Soviet economy, these factors may yet combine to scupper genuine lasting improvements.

Scottish forest plans given go-ahead

BY JAMES BUXTON IN EDINBURGH

THE GOVERNMENT is to allow tree-planting to resume on part of the peatlands of Caithness and Sutherland in the far north of Scotland, in spite of a call last year by the Nature Conservancy Council for planting in the area to cease.

Mr Malcolm Rifkind, the Scottish Secretary, said yesterday that the Government agreed with the NCC, its conservation advisor, that much of the area – known as the Flow Country – was of national and international importance to conservation. The area is rich in rare vegetation and birds.

But this consideration did not apply to the entire area of about 400,000 hectares, he said. Tree planting should continue in part of the area in order to contribute to the national tree planting programme and to maintain local employment in forestry.

Mr Rifkind said he was allowing four applications for afforestation over about 2,500 ha on the fringes of the Flow Country – currently blocked by the NCC's objections – to go ahead. Three others in the heart of the Flow Country are being referred back to the NCC.

Mr Rifkind said, in a written Parliamentary answer, that following more detailed studies by the NCC and a report from a working party set up last year by Highland Regional Council, planting on about half of the unafforested part of the Flow Country – now amounting to 350,000 hectares – might be banned.

The NCC's call for a ban on further planting provoked severe criticism in the Highlands, because of the threat it posed to the local economy and because of the lack of consultation between the NCC and local people.

Yesterday Mr Robert Cowan, chairman of the Highlands and Islands Development Board, said he welcomed Mr Rifkind's statement as "a victory for common sense and compromise." The decision would preserve about 200 forestry-related jobs in the area, he said.

Mr William Wilkinson, chairman of the NCC, said he welcomed the Government's recognition of the importance of the peatlands. The NCC would be identifying areas of high conservation importance

Cadmium reaches 13-year price peak

By Kenneth Gooding, Mining Correspondent

THE PRICE of Cadmium reached a 13-year peak of $3.39 a lb in free market trading yesterday, a rise of 24 cents on Friday's level. The metal's price was subsequently indicated in the range $3.35 to $3.45.

Underlying the sharp jump, which has seen the cadmium price up from only 87 cents last January, is continuing strong demand from Japanese producers of rechargeable nickel-cadmium batteries.

In the first nine months of 1987 Japan used 1,800 tonnes of cadmium, nearly as much as the 2,000 tonnes consumed in the whole of the previous year.

The battery industry now accounts for more than one third of cadmium consumption, having overtaken the more traditional applications such as use in pigments, alloys, plating and stabilisers.

There was a pause in the upward price spiral just before Christmas as weak holders of cadmium took their profits after the metal reached $2.20.

Mr Nick French, a director of Wogen Resources, the London-based minor metal traders, suggested last night that the cadmium price might eventually stabilise at $3.50.

Cadmium is a by-product of zinc and trade sources suggest that the renewed upward price movement has been helped by Vieille Montagne, Belgium's biggest zinc producer, which is thought to have contracted to deliver substantial tonnages of cadmium to Japan and has been buying in the market to cover some of its commitments.

The bullish sentiment has also been encouraged by strong demand from the Soviet Union and a five-month shutdown for refurbishment of the Zhu Zhou zinc plant in China which has had the effect of temporarily eliminating one of that country's two major cadmium producers and exporters.

Minor metals' prices are notoriously volatile. For the buyer they usually represent a very small proportion of final-product costs while for the producers they are generally by-products.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium standard	+1,500	to 28,025
Aluminium high grade	−2,925	to 39,800
Copper	−5,525	to 45,300
Lead	−900	to 12,350
Nickel	−222	to 2,904
Zinc	−1,250	to 41,550
Tin	−50	to 19,280
Silver (oz).	+40,000	to 19,770,000

German EC farm reform plan puts pressure on MacGregor

BY TIM DICKSON IN BRUSSELS

DEADLOCK! Stalemate! Impasse! Use of these overworked Brussels cliches to sum up the weekend labours of Europe's Farm Ministers disguises an important shift which has just taken place in the negotiations and which could yet be decisive to the final outcome of the current chapter of Common Agricultural Policy reform.

While there is no sign of a political agreement on the much-discussed package of budget "stabilisers", Mr Ignaz Kiechle, the bluff, sometimes bullying West German Agriculture Minister has in the past few days managed to deflect attention from his own intransigent stance on cereal price cuts and put the spotlight firmly on those like Britain which are maintaining a more rigidly market-oriented approach.

Mr Kiechle's public relations are certainly heavy-handed and his efforts to claim broad consensus for his ideas are at best naive, at worst nakedly dishonest. Britain's Farm Minister Mr John MacGregor, moreover, is convinced that he is morally and politically right not to fudge the issue at this stage; and everyone knows that if necessary Mrs Thatcher can block the farm proposals along with the whole package of EC long term financial reforms at next month's emergency Summit of heads of Government in Brussels.

There is a difference, however, between doing this single-handedly and (as at last month's Copenhagen Summit, for example) being among a clear majority of member states. A solo effort might be popular for Mrs Thatcher at home but it could destroy much of the good work of British diplomats in dispelling the lingering suspicion in Brussels that Britain is still the EC's most awkward member.

The most significant development of the weekend was the surprisingly friendly response of Mr Frans Andriessen, the EC's Ariculture Commissioner, to the compromise paper presented by Mr Kiechle in his capacity as President of the Farm Council. The Commission had reacted with scepticism to previous West German Government attempts to water down its stabiliser mechanisms but Andriessen made clear that he thought it was the basis for discussion.

Only the Netherlands and (more ambiguously) Belgium supported Mr MacGregor's deep reservations. The German paper compromise spells out changes in three key areas: cereals, oilseeds and the "set aside" plan.

John MacGregor, in the spotlight

● For cereals the guarantee threshold (or production target) would be set at 160m tonnes for the next three years – Britain and the Netherlands insist on 155m, but the Commission would settle for 158m. Penalties for any production above that limit would be applied through an additional co-responsibility levy (or output tax) of up to 3 per cent in the first year and would only be followed by cuts in the guaranteed price the in following marketing year and then up to a ceiling of 2.5 per cent (equivalent to the long term productivity increase).

The Commission wants this raised to 3 per cent and would propose decreases in the so-called monthly increments to send a more immediate price signal to farmers.

Mr MacGregor, however, rejects the Presidency approach as being "an ineffective stabiliser".

● For oilseeds and protein products the Germans have proposed that the guarantee thresholds should be fixed at 4.5m tonnes for rapeseed, 2m tonnes for sunflower seed, 1.3m tonnes for soyabeans, and 3.5m tonnes for proteins (the first two figures exclude Spain and Portugal). These are higher than the Commission would like but Mr Andriessen seems prepared to live with them.

Where these limits were exceeded prices would be cut by 0.4 per cent for each 1 per cent overshoot in production and without any ceiling on the size of the cut.

Mr MacGregor conceded that there had been "some progress" in Sunday's discussion of this sector but that it did not yet go far enough. Mr Andriessen said he wanted a 0.5 per cent cut for each 1 per cent overshoot.

● On acreage set-asides the German paper barely mofifies the Commission's original ideas. But, significantly, it acknowledges that set-aside – essentially paying arable farmers to take part of their land out of production – would be "complementary to market policy measures". Compensation, however, could be paid up to Ecu700 (£480) per hectare in special circumstances – the previous ceiling was Ecu600 – and the Community budget's contribution would range from 70 per cent for the first Ecu200 to 15 per cent for anything between Ecu400 and Ecu600 (member state budgets, of course, would pick up the balance).

With the Commission's apparent blessing and for a trial period of two years the Bonn paper reinstates the idea of fallow grazing, that is to say allowing farmers to use the areas set aside for grass and other fodder crops.

John Cherrington's Farmers' Viewpoint article will appear in tomorrow's issue.

Biffex to launch spot month trading

BY DAVID BLACKWELL

THE BALTIC International Freight Futures Exchange (Biffex) is to introduce spot month trading from July 1 in order to offer investors greater flexibility in dry cargo futures.

At present the eight quarterly Biffex contracts are settled at the end of January, April, July and August. The spot month contracts will apply to the intervening months, with settlement at the end of the month.

Mr Stephen Carter, chief executive of Biffex, said yesterday the innovation would give investors a lot more flexibility in marrying a futures hedge with their activities in the physical market. It would also offer the speculator a futures market settlement date every month of the year.

The Biffex contract was launched on May 1 1985. "We haven't touched it since," said Mr Carter. "It has been a tremendous success." However, a contract for tanker cargoes, launched in February 1986, was closed down by the end of the year.

The dry cargo contract is based on the Baltic Freight Index, which is compiled daily by eight panellists on the basis of 13 shipping routes. Each traded lot is measured in points worth $10 each.

The Biffex management committee has also decided to discontinue trading in half points from July 1. Both the settlement price of futures contracts and the index will be calculated in whole points.

The market enjoyed a bull run at the beginning of this year, with the index, which stood at just over 700 a year ago, breaking through the 1,400 barrier for the first time. Yesterday it closed at dwon 6 points at 1,394.

Dealers said the bull run appeared to have peaked, and the second position futures contract fell to 1,409 points from 1,432 points.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA PRICES closed only just above the day's lows after remaining under pressure since the announcement in the morning that the International Cocoa Organisation (ICCO) had raised its estimate of the world surplus of production to 93,000 tonnes for 1987/88. This compares with the previous ICCO estimate of a 36,000 tonne surplus. Although the revised estimate matches trade expectations, it was enough to depress prices in the current bear market. Dealers said another factor contributing to the weak tone was the continuing lack of ICCO buffer stock support since last Tuesday's purchase of 4,000 tonnes. But they were doubtful if support buying would have much impact on prices now. Coffee prices were also lower, with the market looking ahead to Friday's International Coffee Organisation board meeting which will consider whether a further ICO quota cut is necessary to support prices.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.15-5.20z	-0.155
Brent Blend	$16.38-6.43y	-0.195
W.T.I.(1 pm est)	$16.90-7.00z	n/a

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$159-161	+1.5
Gas Oil	$141-143	−2
Heavy Fuel Oil	$72-74	−0.50
Naphtha	$152-154	+2.50
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♦	$471.75	−4.75
Silver (per troy oz)♦	668c	−3
Platinum (per troy oz)	$492.00	+0.50
Palladium (per troy oz)	$125.00	
Aluminium (free market)	$2025	−5
Copper (US Producer)	126¼-28¼c	+0.625
Lead (US Producer)	40c	
Nickel (free market)	365c	+5
Tin (European free market)	£3880	−5
Tin (Kuala Lumpur market)	17.25r	−0.03
Tin (New York)	318.25c	−2.25
Zinc (Euro. Prod. Price)	$890	+15
Zinc (US Prime Western)	44.75c	
Cattle (live weight)†	104.96p	−1.02*
Sheep (dead weight)†	144.94p	+1.82*
Pigs (live weight)†	64.01p	+0.03*
London daily sugar (raw)	$265.40w	+10.00
London daily sugar (white)	$282.40w	+7.40
Tate and Lyle export price	£258.00	+8.50
Barley (English feed)	£111.50y	
Maize (US No. 3 yellow)	£135.50	
Wheat (US Dark Northern)	£97.25u	+0.75
Rubber (spot)♥	63.75p	−0.25
Rubber (Feb) ♥	68.00p	−0.25
Rubber (Mar) ♥	68.00p	
Rubber (KL RSS No 1 Feb)	279.50m	
Coconut oil (Philippines)§	$565.00v	
Palm Oil (Malaysian)§	$475.00	
Copra (Philippines)§	$390.00	
Soyabeans (US)	£157.50	+2.50
Cotton "A" index	71.60c	−0.15
Woltops (64s Super)	519p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. v-Jan/Feb. z-Mar. y-Feb. u-Apr/May † Meat Commission average latstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam ♦ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Mar	1137	1151	1155 1135
May	1159	1174	1168 1156
Jly	1180	1194	1186 1176
Sep	1198	1211	1205 1194
Dec	1217	1230	1228 1215
Mar	1237	1250	1249 1235
May	1257	1268	1260

Turnover:4152 (3705) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for January 22: 1466.50 (1472.41) .10 day average for January 25: 1453.89 (1452.78).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1187	1195	1200 1190
Mar	1212	1230	1231 1207
May	1228	1252	1255 1228
Jly	1264	1274	1277 1264
Sep	1286	1294	1297 1285
Nov	1305	1315	1312 1307
Jan	1325	1335	

Turnover: 2528 (2930) lots of 5 tonnes
ICO indicator prices (US cents per pound) for January 22: Comp. daily 1979 118.14 (115.82); 15 day average 114.96 (114.72).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Mar	234.40	237.80	242.00 232.00
May	231.40	233.00	236.00 227.00
Aug	227.00	229.40	232.00 225.00
Oct	227.40	228.20	232.00 225.00
Dec	227.60	227.20	
Mar	228.80	227.00	230.00 221.00
May	229.00	230.00	229.00 228.00
White	**Close**	**Previous**	**High/Low**
Mar	265.00	266.00	267.00 263.00
May	263.00	261.50	266.00 261.50
Aug	266.00	265.00	267.00 263.80
Oct	266.00	265.00	267.00 264.00
Dec	266.00	266.00	
Mar	268.00	268.50	269.00 267.00
May	269.00	270.50	271.50

Turnover: Raw 8687 (6886) lots of 50 tonnes: White 1794 (1880).
Paris- White (FFr per tonne): Mar 1495, May 1499, Aug 1505, Oct 1510, Dec 1505, Mar 1540.

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	142.50	144.50	144.00 142.25
Mar	140.75	142.75	142.00 140.50
Apr	137.25	139.25	138.25 137.25
May	134.75	136.75	136.25 134.75
Jun	136.50	136.25	137.75 136.50
Jly	136.50	138.00	138.00 136.50

Turnover: 4712 (3556) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	111.30	111.70	111.30 111.10
May	113.65	114.15	113.70 113.40
Jly	115.95	116.20	115.85 115.55
Sep	102.45	102.25	102.45 102.30
Nov	104.35	104.15	104.35 104.25
Jan	107.00	106.90	107.00 106.85
Barley	**Close**	**Previous**	**High/Low**
Mar	106.75	107.00	106.75 106.45
May	107.75	108.00	
Sep	97.25	97.15	97.25 97.15
Nov	100.00	99.80	100.00
Jan	101.90	101.80	102.00 101.90

Turnover: Wheat 178 (161), Barley 50 (27) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 2,100 tonne
Cash	2010-5	2025-35	2030	2020-30		
3 months	1890-900	1900-10		1900-10	1900-20	2,390 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 21,150 tonne
Cash	1135-40	1135-7	1135/1134	1134-5		
3 months	1065-6	1062-3	1068/1059	1060-1	1066-8	48,292 lots
Copper, Grade A (£ per tonne)						Ring turnover 25,850 tonne
Cash	1418-20	1395-400	1448/1445	1444-6		
3 months	1295-5.5	1279-80	1328/1278	1326-7	1278-9	73,580 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1345-55	1350-60		1370-90		
3 months	1260-70	1255-65		1295-305		56 lots
Silver (US cents/fine ounce)						Ring turnover 0 tonne
Cash	661-4	667-9		668-9		
3 months	671-5	679-81		679-82	675-80	682 lots
Lead (£ per tonne)						Ring turnover 5,725 tonne
Cash	393-5	400-5	400/396	396-8		
3 months	356-7	360.5-1	361/352	359-60	353-5	13,272 lots
Nickel (£ per tonne)						Ring turnover 1,404 tonne
Cash	4550-60	4480-50	4560	4550-60		
3 months	4275-80	4210-5	4285/4270	4280-90	4275-80	9,207 lots
Zinc (£ per tonne)						Ring turnover 8,025 tonne
Cash	499-501	500-1	506/504	504-5		
3 months	501-2	503.5-4	506/501	504-5	502-3	12,986 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	97.30	97.50	
Mar	86.00	86.50	
Apr	154.00	155.70	155.00 153.90
May	167.80	169.50	168.50 168.00
Nov	95.50	94.00	96.50 96.00
Feb	102.50	104.00	

Turnover: 416 (218) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	129.50	129.00	129.50 129.00
Jun	123.70	123.70	124.00 123.50
Aug	122.30	122.20	122.50
Oct	124.20	123.50	123.50
Dec	126.50	125.50	126.00
Feb	129.00	128.00	

Turnover: 105 (65) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1394.0	1401.0	1395.0 1391.0
Apr	1409.0	1432.0	1420.0 1400.0
Jly	1256.0	1263.0	1268.0 1250.0
Oct	1303.0	1330.0	1305.0 1300.0
BFI	1394.0	1400.0	

Turnover: 421 (689)

TEA

There were 26,021 packages on offer in the London auction including 4,200 packages in the offshore section, reports the Tea Brokers' Association. Good medium and best liquoring Assams, including dusts, again came in for keen competition and rose 10-15p, sometimes more. Plain types met improved demand but stayed at last week's levels. Bangladesh teas were irregular but unchanged on balance. Best liquoring and colouny medium East Africans were well supported and were mainly 3-5p dearer. Others, together with Central Africans, were about steady though irregular at the close. In the offshore auction medium Kenyans were 4-6p down, brighter types 10p up, while Central Africans ruled firm. Quotations: quality 190p a kg (185p nominal); medium 140p (135p); low medium 102p (102p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	471½-472	266¼-266¾
Opening	476½-477	257¼-267¾
Morning fix	476.50	268.194
Afternoon fix	476.25	268.159
Day's high	477-477½	
Day's low	469½-470	

Coins	$ price	£ equivalent
US Eagle	485-490	274-277½
Mapleleaf	485-490	274-277½
Britannia	485-490	274-277½
Krugerrand	470¼-473½	265½-267½
1/2 Krug	247-256	139½-144½
1/4 Krug	123-131	89½-74
Angel	489-494	276-279¾
1/10 Angel	49-54	27¾-30½
New Sov.	111-112	62½-63¼
Old Sov.	111-112½	62½-63½
Noble Plat	508-512½	284-287¼

Silver fix	p/fine oz	US cts equiv
Spot	379.95	675.15
3 months	388.20	687.10
6 months	396.45	699.05
12 months	414.85	726.85

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1800	180	163	27	97
1900	113	120	60	146
2000	65	83	111	208
Aluminium (99.5%)	**Calls**		**Puts**	
1750	216	171	19	78
1850	148	120	45	123
1950	86	80	88	181
Copper (Grade A)	**Calls**		**Puts**	
2100	267	325		249
2300	239	242	173	362
2500	153	178	286	466

US MARKETS

PRECIOUS METALS fell on a firmer US dollar and a technical overbought situation as early trade selling prompted local selling which in turn led to commission house stops being elected and fund long-liquidation, reports Drexel Burnham Lambert. However, losses were pared following trade scale-down buying and mixed short-covering. Copper fell sharply as trade and local selling touched off commission house stops. Heating oil firmed reflecting bad weather, but crude oil fell in quiet trading as fund selling combined with light trade selling in the face of local and commission house buying. Cocoa fell as speculators liquidated longs following an ICCO report showing a larger than expected surplus for the 1988/89 crop. Sugar opened lower on trade selling, but support emerged which prompted trade short-covering, touching off commission house stops before renewed trade selling kept the market on the defensive. A disappointing cattle-on-feed report led to long-liquidation in the meat futures which aided a technical reaction to recent strength.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	469.3	477.5	476.0	476.0
Feb	469.5	477.8	476.9	468.2
Mar	471.8	480.2	0	0
Apr	474.9	483.4	482.8	473.5
Jun	480.2	488.8	488.0	478.5
Aug	485.7	494.4	492.8	485.0
Oct	491.4	500.2	493.0	490.0
Dec	497.1	506.0	505.2	496.0
Feb	503.2	512.2	511.5	502.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	476.3	491.8	490.0	476.0
Feb	477.8	0	482.0	478.0
Apr	481.4	497.4	496.5	478.5
Jul	488.4	504.7	504.0	489.0
Oct	495.9	512.2	510.0	496.5
Jan	503.9	520.2	517.5	504.5
Apr	511.9	528.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	658.5	677.8	665.0	665.0
Feb	659.9	679.4	0	0
Mar	663.5	683.0	681.0	657.0
May	672.4	692.0	690.0	666.0
Jul	681.0	700.8	700.0	676.0
Sep	689.3	709.4	700.0	689.0
Dec	702.9	723.3	713.0	698.0
Jan	707.0	727.5	0	0
Mar	717.0	737.7	0	0
May	726.8	747.7	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	112.40	120.40	115.10	112.30
Feb	107.90	115.60	0	0
Mar	100.30	108.10	108.60	99.30
May	90.50	98.10	98.50	89.80
Jul	82.00	88.10	88.50	81.00
Sep	79.50	84.10	85.00	79.50
Dec	78.50	83.00	83.10	78.00
Jan	78.20	82.70	0	0
Mar	77.80	82.30	78.00	77.50
May	77.40	81.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Mar	16.96	17.01	17.00	16.78
Apr	16.83	16.88	16.86	16.66
May	16.75	16.74	16.75	16.52
Jun	16.61	16.62	16.62	16.43
Jul	16.45	16.51	16.41	16.35
Aug	16.32	16.41	16.30	16.25
Sep	16.25	16.31	16.25	16.25
Oct	16.25	16.21	16.25	16.25
Nov	16.00	16.11	16.05	16.00

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Feb	49.85	49.19	49.90	48.60
Mar	48.50	47.96	48.60	47.65
Apr	46.55	46.24	46.80	45.75
May	45.25	45.09	45.30	44.80
Jun	44.56	44.39	44.55	44.20
Jul	44.70	44.39	44.70	44.35
Aug	45.05	44.99	45.05	45.05
Sep	46.00	45.69	46.00	46.00

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1868	1922	1903	1866
May	1898	1948	1930	1895
Jul	1925	1978	1958	1924
Sep	1946	2000	1972	1946
Dec	1983	2033	2015	1983
Mar	2015	2065	2025	2025
May	2039	2088	2045	2036

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	129.05	130.41	130.50	128.75
May	131.93	132.93	132.90	131.85
Jul	134.05	135.15	135.00	133.85
Sep	136.40	137.50	136.90	136.90
Dec	139.00	140.25	139.25	138.80
Mar	141.25	141.50	0	0
May	141.60	142.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.52	10.40	10.63	10.30
May	10.38	10.27	10.60	10.20
Jul	10.24	10.20	10.38	10.06
Oct	10.21	10.23	10.36	10.06
Jan	10.15	10.17	0	0
Mar	10.13	10.23	10.32	10.06
May	10.18	10.17	10.20	10.20

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	63.60	64.69	64.95	63.55
May	64.40	65.45	65.65	64.30
Jul	64.80	65.86	66.15	64.80
Oct	63.43	63.85	0	0
Dec	62.30	62.60	62.85	62.25
Mar	63.52	63.75	0	0
May	63.75	64.00	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	171.20	169.65	174.00	170.10
May	171.45	169.50	173.50	170.50
Jul	171.30	169.20	172.85	170.20
Sep	168.00	166.50	170.00	168.00
Nov	167.25	165.90	169.50	167.00
Jan	164.90	161.90	165.00	162.00
Mar	164.90	161.90	0	0
May	164.90	161.90	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 22	Jan 21	mnth ago	yr ago
1760.9	1752.7	1740.7	1594.5

DOW JONES (Base: December 31 1974 = 100)

Spot	133.60	133.12	134.46	115.82
Futures	136.26	135.30	136.35	116.74

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	630/6	631/6	633/0	629/4
May	639/0	640/2	646/0	638/0
Jul	645/6	646/4	653/0	645/4
Aug	646/4	647/2	652/4	646/4
Sep	641/2	643/4	651/0	641/0
Nov	644/0	648/0	653/4	643/4
Jan	652/0	655/0	660/0	652/0
Mar	660/0	662/4	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.33	21.91	22.44	22.20
May	22.55	22.16	22.65	22.43
Jul	22.73	22.37	22.82	22.62
Aug	22.75	22.45	22.90	22.70
Sep	22.80	22.47	22.90	22.70
Oct	22.77	22.47	22.80	22.75
Dec	22.90	22.55	22.95	22.75
Jan	22.80	22.85	22.85	22.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	183.9	186.8	187.7	183.6
May	183.2	184.8	186.0	183.0
Jul	183.5	184.8	186.0	183.5
Aug	184.0	184.5	185.5	183.8
Sep	184.5	184.5	186.0	184.0
Oct	184.5	185.9	186.0	184.0
Dec	184.7	184.7	187.0	184.5
Jan	185.5	186.0	185.0	186.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	202/0	199/6	202/6	200/6
May	207/6	205/4	208/0	206/2
Jul	210/6	208/6	211/2	209/4
Sep	211/6	210/2	212/4	211/0
Dec	214/4	213/4	215/2	213/2
Mar	221/4	220/6	221/4	220/2
May	225/0	224/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	326/6	323/2	327/2	324/2
May	325/6	323/2	327/0	324/0
Jul	317/0	316/0	318/0	316/4
Sep	320/4	320/0	321/4	320/0
Dec	330/0	328/4	331/0	329/0
Mar	332/0	330/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	68.17	68.70	68.80	68.05
Apr	68.95	69.60	69.37	68.77
Jun	67.90	68.72	68.52	67.85
Aug	65.47	66.05	65.90	65.38
Oct	64.42	64.90	64.80	64.40
Dec	65.05	65.50	65.45	65.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	47.70	48.02	48.40	47.35
Apr	45.55	45.70	46.30	45.25
Jun	48.47	48.40	48.87	47.92
Jul	48.37	48.57	48.70	48.10
Aug	47.17	46.67	47.40	46.60
Oct	42.40	42.27	42.75	42.37
Dec	42.40	42.55	42.88	42.30
Feb	42.50	42.12	43.00	42.50

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	57.85	58.45	59.00	57.50
Mar	58.47	59.25	59.80	58.30
May	60.00	60.50	61.05	59.60
Jul	60.10	60.60	61.15	59.90

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar held in narrow range

THE DOLLAR closed little changed in very dull European trading yesterday. Dealers could see no reason to become heavily involved in a market lacking incentives.

US durable goods orders for December will be published today, and are expected to rise 0.5 p.c. to 0.7 p.c., but whether this will provide the market with inspiration is doubtful.

Fourth quarter US GNP growth will be announced tomorrow. This is expected to be around 3 p.c., but if Nomura Research Institute's forecast of only 2.2 p.c. is nearer the mark this may produce more activity.

Fear of central bank intervention is likely to limit any dollar weakness, but there also appears to be little reason for the currency to rise at present.

The dollar fell to Y127.75 from Y127.80, but improved to DM1.6775 from DM1.6745; to SFr1.3615 from SFr1.3555; and to FFr5.6550 from FFr5.6450.

On Bank of England figures the dollar's index rose to 94.4 from 94.3.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. December average 1.8269. Exchange rate index fell 0.3 to 74.4, compared with 72.7 six months ago.

Sterling's weaker trend appeared to be little more than a reflection of fading expectations about higher UK bank base rates. This followed last week's economic news on retail sales and industrial production, leading to suggestions of slower economic growth. The general picture is confusing however, with bank lending still strong, according to the December figures.

The market now awaits Thursday's UK trade figures for December, amid forecasts of a visible trade deficit of about £900m to £1.5bn and a current account shortfall of £300m to £450m.

Sterling fell 1.05 cents to $1.7715-1.7725. It also declined to DM2.9725 from DM2.9850; to FFr10.02 from FFr10.0625; to SFr2.4125 from SFr2.4175; and to Y226.25 from Y227.75.

D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. December average 1.6354. Exchange rate index 149.4 against 146.8 six months ago.

Trading was purely technical in Frankfurt today, according to dealers, with the dollar locked in a narrow range against the D-Mark of DM1.6700 and DM1.6775.

At the Frankfurt fixing the West German Bundesbank did not intervene when the dollar was fixed at DM1.6745, compared with DM1.6700 on Friday. It closed at DM1.6775, against DM1.6735 before the weekend.

Mr Karl Otto Poehl, President of the Bundesbank, said in Bonn he saw a good chance of the dollar stabilising at current levels, partly because it had almost halved in value against the D-Mark. He added a further fall was not in the interests of the US.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.35. December average 128.45. Exchange rate index 240.9 against 214.3 six months ago.

Yesterday's bout of dull trading began in Tokyo, where there was a general reluctance to move the dollar. Japanese exporters are believed to be ready to sell of dollars at levels above Y128 but the central banks have created nervousness about intervention if too much downward pressure is put on the currency.

Lack of fresh factors also kept the dollar in a narrow trading range, with dealers not expecting any significant move by the dollar in the near future, unless tomorrow's US GNP news is particularly surprising.

The dollar closed at Y127.45 in Tokyo, compared with Y127.70 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1699	+1.68	+0.97	±1.5344
Danish Krone	7.85212	7.92822	+0.97	+0.26	±1.5404
German D-Mark	2.05853	2.06603	+0.36	-0.35	±1.0981
French Franc	6.90403	6.96436	+0.87	+0.16	±1.3674
Dutch Guilder	2.31943	2.32117	+0.08	-0.63	±1.5012
Irish Punt	0.768411	0.777222	+1.13	+0.42	±1.6684
Italian Lira	1483.58	1517.85	+2.31	+2.04	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan.25	Latest	Previous Close
£ Spot	1.7685-1.7695	1.7875-1.7885
1 month	0.26-0.23pm	0.24-0.23pm
3 months	0.73-0.68pm	0.75-0.72pm
12 months	2.62-2.52pm	2.75-2.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

CURRENCY RATES

[illegible]

All SDR rates are for January 22

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts and bonds firmer

SHORT STERLING prices were influenced by a softer tone in cash rates yesterday and showed little reaction to the pound's weaker trend. Liffe values were marked up at the start, helped by recent economic data which pointed towards a slow down in economic activity.

However a mood of underlying caution prevented a real attempt to push prices significantly higher. The March three-month sterling contract opened firmer but the day's trading range was established in the first ten minutes, with only six ticks separating the day's high and low.

One trader suggested that any move to above the 91.00 level-it closed yesterday at 91.14, up from 91.04-was only sustainable if economic growth did start to slow. With resistance at 91.13 having been broken, there was scope for an advance to around 91.20, but analysts were quick to point out that, even at this stage, the rally was becoming a little over extended, based as it is on one month's figures.

Some traders were a little wary ahead of the release on Thursday of UK trade figures. One analysts pointed out that after this month, the significance of trade figures on the market was likely to be much less. As from January, changes in customs documentation would make comparisons with previous data extremely difficult.

Nevertheless, optimists retained the upper hand, so that sterling's one cent and pfennig fall was not fully taken into account.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
116	4.29	5.26	0.11	1.16
118	2.52	4.04	0.34	1.58
120	1.39	3.01	1.15	2.55
122	0.45	2.08	2.27	3.62
124	0.19	1.27	4.01	5.17
126	0.09	0.60	5.55	6.50
128	0.03	0.38	7.49	8.28
130	0.00	0.23	9.46	10.13

Estimated volume total, Calls 4297 Puts 1928
Previous day's open int: Calls 37751 Puts 20676

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	9.63	9.36	0.01	0.36
84	8.02	7.59	0.04	0.59
86	6.11	6.16	0.13	1.16
88	4.22	4.44	0.24	1.44
90	2.41	3.23	0.43	2.23
92	1.23	2.23	1.25	3.23
94	0.43	1.46	2.45	4.46
96	0.20	1.10	4.22	6.10

Estimated volume total, Calls 30 Puts 62
Previous day's open int: Calls 1117 Puts 1077

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
16000	17.44	19.10	0.84	2.50
16500	13.31	15.46	1.71	3.86
17000	9.71	12.25	3.11	5.65
17500	6.75	9.49	5.15	7.89
18000	4.45	7.20	7.85	10.60
18500	2.78	5.34	11.18	13.74
19000	1.65	3.87	15.05	17.27
19500	0.92	2.75	19.32	21.15

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 12 Puts 71

LIFFE E/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE- EURODOLLAR OPTIONS

[illegible]

LONDON

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

[illegible]

MONEY MARKETS

London rates lower

INTEREST RATES shed a further ¹⁄₁₆th of a point yesterday, reflecting a more relaxed attitude, as fears of an early rise in UK base rates receded. The key three-month interbank rate fell to 8¹³⁄₁₆-8¹¹⁄₁₆ p.c. from 8⅞-8¾ p.c.

Recent economic data have suggested that the UK economy may not be as much at risk of overheating as had previously been thought. However traders were a little wary, suggesting that confidence in the pound could be dented if Thursday's release of UK trade figures provided a wider than expected deficit.

UK clearing bank base lending rate 8½ per cent from December 4

Short term money rates opened at 8¾ p.c. and fell to a low of 6 p.c.. Total help by the Bank of England suggested that funds had been left in the system.

The Bank of England forecast a shortage of around £300m with factors affecting the market including the repayment of any late assistance and bills maturing in official hands together with a take up of Treasury bills draining £740m and banks' balances brought forward £15m below target. These were partly offset by Exchequer transactions which added £100m and a fall in the note circulation of £335m.

The forecast was revised to a shortage of around £250m and the Bank gave no assistance in the morning. In the afternoon, a further revision took the forecast back to a shortage of around £300m and the Bank gave assistance of £244m through outright purchases of £3m of Treasury bills and £201m of eligible bank bills in band 1 at 8 p.c. and £40m of eligible bank bills in band 4 at 8 p.c. Late help came to £130m, making a total of £374m.

In Paris the Bank of France cut its key money market intervention rate to 7¼ p.c. from 7½ p.c. and the seven date repurchase rate to 7¾ p.c. from 8 p.c. The cuts were made yesterday as the authorities provided FFr52.4bn through sale and repurchase agreements on first category paper, replacing a maturing facility of FFr71.2bn.

The reduction in rates was seen as a reflection of the franc's steady performance within the EMS and a healthy outlook on inflation.

In Frankfurt call money remained at 3.00-3.10 p.c., its effective base, since the Bundesbank offers to sell short term Treasury bills at 3 p.c. whenever liquidity levels are high.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

£ WORLD VALUE OF THE POUND

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Last	May 88 Vol	Last	Aug. 88 Vol	Last	Stock
GOLD C	$ 420	–	–	10	70 A	1	76.50	$ 475.75
GOLD C	$ 460	–	–	50	34.50	–	–	$ 475.75
GOLD C	$ 500	53	2.50	18	12.60	–	–	$ 475.75
GOLD C	$ 540	–	–	15	6	–	–	$ 475.75
GOLD P	$ 440	10	1.40	–	–	–	–	$ 475.75
GOLD P	$ 480	14	9	25	14	–	–	$ 475.75
GOLD P	$ 500	26	23	–	–	–	–	$ 475.75
		Mch. 88		Jun. 88		Sep. 88		
SILVER C	$ 750	–	–	2	40	–	–	$ 673
		Feb. 88		Mch. 88		Apr. 88		
EOE Index C	Fl. 165	37	11.50	–	–	–	–	Fl. 173.89
EOE Index C	Fl. 170	13	7.50	–	–	–	–	Fl. 173.89
EOE Index C	Fl. 175	33	5	16	9 A	–	–	Fl. 173.89
EOE Index C	Fl. 180	36	3.10	8	6.50	–	–	Fl. 173.89
EOE Index C	Fl. 185	59	2 A	29	4.60	15	6.80	Fl. 173.89
EOE Index P	Fl. 160	12	1.30	–	–	–	–	Fl. 173.89
EOE Index P	Fl. 165	50	2.50	20	5	–	–	Fl. 173.89
EOE Index P	Fl. 170	15	4.50	2	6.80	–	–	Fl. 173.89
EOE Index P	Fl. 175	37	6.90	7	9.50	20	11	Fl. 173.89
EOE Index P	Fl. 180	22	10.20	–	–	3	14	Fl. 173.89
EOE Index P	Fl. 185	20	13	–	–	1	18	Fl. 173.89
$/Fl C	Fl. 185	10	4	10	5	–	–	Fl. 188.40
$/Fl C	Fl. 190	6	1.90	14	2.40	14	3	Fl. 188.40
$/Fl P	Fl. 180	2	0.60	6	1.50	–	–	Fl. 188.40
$/Fl P	Fl. 185	40	1.50	1	2.80	66	4	Fl. 188.40
$/Fl P	Fl. 190	10	4.40	–	–	–	–	Fl. 188.40

		Apr. 88 Vol	Last	Jul. 88 Vol	Last	Oct. 88 Vol	Last	Stock
ABN C	Fl. 46	536	0.40	–	–	–	–	Fl. 36.80
ABN P	Fl. 45	–	–	20	9.80	82	10.80	Fl. 36.80
AEGON C	Fl. 60	36	3.60	3	5.50	–	–	Fl. 59.50
AEGON P	Fl. 45	–	–	53	1	–	–	Fl. 59.50
AHOLD C	Fl. 75	20	2.20	37	4.30	2	5	Fl. 69.90
AHOLD P	Fl. 70	147	4.50	–	–	–	–	Fl. 69.90
AKZO C	Fl. 100	699	3.10	74	5	4	7.70	Fl. 89.10
AKZO P	Fl. 90	120	6	44	11	–	–	Fl. 89.10
AMEV C	Fl. 40	14	1.90	8	3.20	6	4	Fl. 38.40
AMEV P	Fl. 30	–	–	–	–	20	2 A	Fl. 38.40
AMRO C	Fl. 60	88	1.60	–	–	17	3.20	Fl. 56.10
AMRO P	Fl. 50	–	–	–	–	12	3	Fl. 56.10
ELSEVIER C	Fl. 40	113	5	–	–	–	–	Fl. 43.20
ELSEVIER P	Fl. 40	22	2	12	4	–	–	Fl. 43.20
GIST-BROC. C	Fl. 50	6	0.20	100	0.50	–	–	Fl. 24.10
GIST-BROC. P	Fl. 20	–	–	40	1	–	–	Fl. 24.10
HEINEKEN C	Fl. 130	49	6	26	9.50	5	13 A	Fl. 121
HEINEKEN P	Fl. 110	16	2.50	–	–	–	–	Fl. 121
HOOGOVENS C	Fl. 30	5	0.90	38	2.40 A	–	–	Fl. 25.90
HOOGOVENS P	Fl. 22.50	30	0.70	10	1.50	–	–	Fl. 25.90
KLM C	Fl. 35	98	1	49	2	13	2.70 A	Fl. 29.60
KLM P	Fl. 35	134	5.80	6	6.70	–	–	Fl. 29.60
NEDLLOYD C	Fl. 170	110	16.50 A	15	21.50	–	–	Fl. 165.50
NEDLLOYD P	Fl. 150	75	9.30	2	14.50	–	–	Fl. 165.50
NAT.NED. C	Fl. 55	211	1 A	–	–	–	–	Fl. 47.60
NAT.NED. P	Fl. 50	8	3.50 B	29	5.50	–	–	Fl. 47.60
PHILIPS C	Fl. 25	46	1.80	179	2.40	2	3.10	Fl. 24.80
PHILIPS P	Fl. 25	58	2.10	20	3.10	8	3.50	Fl. 24.80
ROYAL DUTCH C	Fl. 200	242	12.30	3	14.50	–	–	Fl. 205.50
ROYAL DUTCH P	Fl. 200	97	5.50	20	12	–	–	Fl. 205.50
ROBECO C	Fl. 85	10	2.50	2	4.90 A	–	–	Fl. 83.10
ROBECO P	Fl. 75	4	1.80	12	2.50	–	–	Fl. 83.10
UNILEVER C	Fl. 120	192	2.30	36	5.50	–	–	Fl. 107.50
UNILEVER P	Fl. 120	1	14	222	18.80	10	20.50	Fl. 107.50

TOTAL VOLUME IN CONTRACTS : 11,818

A=Ask B=Bid C=Call P=Put

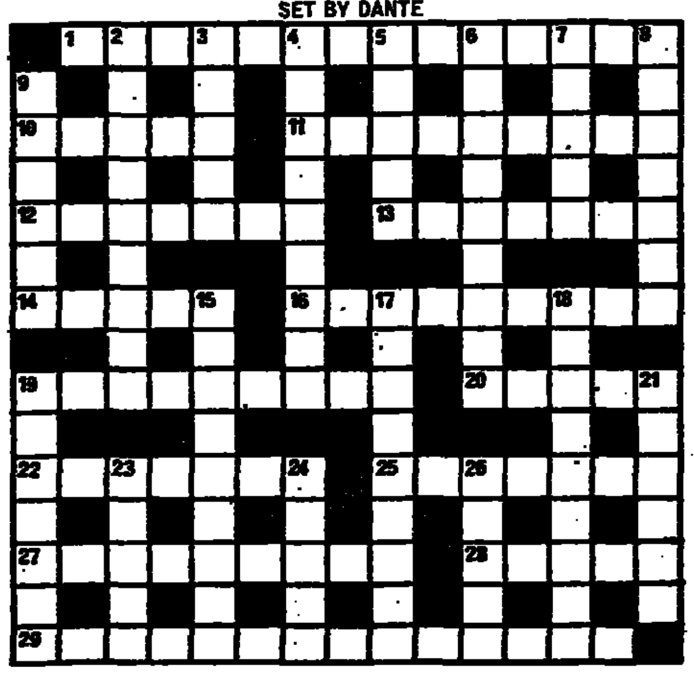
BASE LENDING RATES

	%		%		%
ABN Bank	8½	Citibank NA	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	City Merchants Bank	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	Clydesdale Bank	8½	Northern Bank Ltd	8½
Allied Irish Bank	8½	Comm.Bk.N.East	8½	Norwich Gen. Trust	8½
American Exp.Bk	8½	Consolidated Cred	8½	PK Finans. Int(UK)	9
Amro Bank	8½	Co-operative Bank	*8½	Provincial Trust Ltd	9½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	R. Raphael & Sons	8½
ANZ Banking Group	8½	Dunbar Bank PLC	8½	Roxburghe G'rantee	9½
Associates Cap Corp	10	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Authority Bank	8½	Equatorial Bank plc	8½	Royal Trust Bank	8½
B & C Merchant Bank	8½	Exeter Trust Ltd	9	Smith & Williams Secs.	8½
Banco de Bilbao	8½	Financial & Gen. Sec	9	Standard Chartered	8½
Bank Hapoalim	8½	First Nat. Sec. Ltd	9½	TSB	8½
Bank Leumi (UK)	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	◊10.2
Bank Credit & Comm	8½	Robert Fraser & Ptrs.	9½	United Bk of Kuwait	8½
Bank of Cyprus	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Ireland	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Bank of India	8½	● Guinness Mahon	8½	Western Trust	8½
Bank of Scotland	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Banque Belge Ltd	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Barclays Bank	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Benchmark Bank PLC	8½	● Hill Samuel	§8½		
Berliner Bank AG	8½	C. Hoare & Co.	8½		
Brit Bk of Mid East	8½	Hongkong & Shangh	8½		
● Brown Shipley	8½	Lloyds Bank	8½		
Business Mtge Tst	8½	Meghraj Bank Ltd	8½		
CL Bank Nederland	8½	Midland Bank	8½		
Central Capital	8½	● Morgan Grenfell	8½		
● Charterhouse Bank	8½	Mount Banking Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ◊ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,539

SET BY DANTE



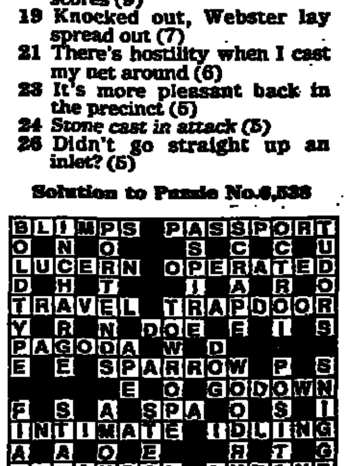
ACROSS

1 It brings success and failure in turn (5,2,7)
10 Copper band (5)
11 Digs out unusual sex caveat (9)
12 The state needs me to reorganise it (7)
13 The dull are attracted by variety (7)
14 Council saying evil is peculiar? (5)
16 Top gear when going into a corner? (6,3)
19 One having a sea-view? (3,6)
20 After CSE? (5)
22 Reason many resort to the Riviera (3,4)
25 Impudence rebuffed by stern traveller (7)
27 Using shaped neck, pours tots (7,2)
28 A learner gets large amount of grant (5)
29 A wearing conflict? (3,2,9)

DOWN

2 Mum's dowry? (4,5)
3 Pulls level against the odds (5)
4 Such a discussion gives opportunity for falling out (4-5)
5 It may give shop a good name (5)
6 Rotating arms? (9)
7 Issue of extreme importance (5)
8 Relaxed in the deep USA perhaps (5,2)
9 Passed around the quarterdeck (6)
15 Starts on the green and accelerates away (6,3)
17 Sheets changed daily (9)
18 She's used to getting low scores (9)
19 Knocked out, Webster lay spread out (7)
21 There's hostility when I cast my net around (6)
23 It's more pleasant back in the precinct (5)
24 Stone cast in attack (5)
26 Didn't go straight up an inlet? (5)

Solution to Puzzle No.6,538



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
0272 294941
Life Assurance Funds

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Jan 20	193.1	203.21	—	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	[illegible]	446.0	-2.3	—
Equity Fd	[illegible]	409.7	-2.2	—
Intnl. Fd	290.7	306.0	-4.2	—
Fixed Int. Fd	360.0	379.9	+3.3	—
Prop. Fd	301.0	316.9	+1.2	—
Cash Fd	233.9	245.3	—	—
Pacific Basin Fd	150.6	[illegible]	-3.3	—
North American Fd	114.1	[illegible]	+1.9	—
European Fd	138.3	[illegible]	-0.5	—
Holborn Balanced Gwth Fd	—	—	—	—
Holborn Strategic Gwth Fd	—	—	—	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	449.1	472.8	+0.2	—
Equity	[illegible]	674.5	-3.7	—
Global Equity	182.4	192.1	-1.4	—
Fixed Interest	367.2	386.6	+3.3	—
Property	301.8	317.7	[illegible]	—
Cash	137.2	144.5	[illegible]	—
Index Linked Gilt	158.8	167.2	+1.2	—
Guaranteed	8.75	9.50	—	—
International Money	137.5	197.4	+0.5	—
North American Fd	[illegible]	[illegible]	-0.6	—
Japanese Fund	111.9	117.8	+4.1	—
European Fund	68.7	[illegible]	+1.8	—
Special Situations Fd	91.0	[illegible]	[illegible]	—
Communications Fund	74.6	78.6	[illegible]	—
Smaller Cos Fund	95.3	100.4	+0.3	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Pioneer Mutual Insurance Co Ltd
051-922 6655

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

Index–Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	23⅜	−⅛	$1.16	—	2.7
18¾	8¾	Rockwell Intl. $1	9⅞	−⅛	66c	—	3.9
30½	16¼	Sara Lee $1(1/3)	19⅞xd	−⅛	$1.00	—	2.8
11⅞	8⅜	Saul (B. F.) $1	8⅞xd		20c	—	1.2
27½	2¼	Southwestern Bell $1	20½	+⅜	Φ$2.32	—	6.2
22¼	994p	▼Staley Continental‡	11⅝		80c	—	3.8
44½	21⅝	Sun Co. Inc. $1	27⅞	−⅛	$3.00	—	5.9
42¼	22⅝	TRW Inc. $0.625	26⅝	+⅛	b$1.60	—	3.3
37⅝	21	Tenneco $5	21⅞xd	−⅛	$3.04	—	7.6
220	149½	Do. 10pcLn.Stk. 91-5	155		10%	—	¶4.7
29¾	15⅝	Texaco $6.25	21¼		$3.00	—	7.7
74½	36½	Time Inc. $1	46⅞	+⅝	$1.00	—	1.2
30⅜	15	Transamerica $1	27⅛	+⅛	$1.84	—	5.7
14¾	1¼	Transworld Corp $5	788p	−16	20c	—	1.4
27¼	12¼	TRINOVA Corp	16		56c	—	1.9
24½	12⅝	▼USX $1	17⅝	+⅛	$1.20	—	3.8
37⅞	16¾	Utd. Technologies	20⅞	+1⅛	$1.40	—	3.7
38¾	25⅞	US West‡	28⅝	+¼	$3.28	—	6.3
30½	17⅝	Waste Management $1	19½	+¼	36c	—	1.0
31¾	11⅝	Whirlpool $1.0	14½	+⅜	—	—	—
37⅛	16½	▼Woolworth $3½	20⅞	+⅜	$1.32	—	3.5

CANADIANS

1987/88 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp ‡	275p	−15	—	—	—
26½p	10p	▼Abbot Energy Corp	17½p		—	—	—
18⅝	506p	▼Amer. Barrick Res	11⅛	−⅛	—	—	—
141p	4p	American Lightwave	4½p	−½	—	—	—
122p	33p	▼Armeno	41½p		—	—	—
117p	39½p	Augmitto Expln	64p	−2	—	—	—
19⅝	10⅝	Bk. Montreal ‡	11½	+⅛	$2.00	—	7.2
10⅝	488p	Bk. Nova Scot.‡	564p	−8	72c	—	5.3
20⅝	15	BCE ‡	16⅛	+⅛	$2.40	—	6.2
10⅝	511p	▼Bow Valley‡	649p	−1	Φ40c	—	2.6
20	10⅛	▼Brascan‡	16⅝		88c	—	3.4

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES – Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Slack trading session for equities but Government bonds continue to advance

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15
Feb 8	Feb 18	Feb 19	Feb 29

*New time dealings may take place from 8.00 am two business days earlier.

RENEWED CONCERN over the economic outlook, and specifically over the prospects for the UK economy, brought a gloomy trading session in the UK stock markets. While trading in shares was very thin, the domestic leaders slipped lower from the opening as the City cautiously awaited the release today of the latest survey of business opinion by the Confederation of British Industry, which will be followed on Thursday by the UK trade figures for December. Activity in the international stocks was restrained ahead of President Reagan's State of the Union Message.

The stage had been set at the weekend by bearish views on UK growth prospects from the London Business School and by predictions of a recession in the US from Mr Gordon Pepper, the bond expert at Midland Montagu, the UK securities house.

Equities dipped towards the FT-SE index support level of 1750, as the first day of the new trading account got under way. However, a sharp rise on Wall Street ahead of President Reagan's Address to Congress helped London recover some of its early loss.

The FT-SE 100 Index ended a net 8.7 down at 1762.2. But the true picture of the day came in the low turnover levels. At 5.00pm, only 273.8m shares had been traded, one of the lowest daily totals recorded – and a puny comparison with the daily figures of 600m – 800m on busy days.

Outside the bid-fevered oil sector, few of the major stocks recorded turnover significantly above the 1m share level. **Shell, Fisons** and **ICI** were on the downside throughout despite a slightly easier trend in the pound. The City was poised for a response from Britoil to the surprise move by British Petroleum *to buy the key 24 per cent* stake in Britoil held by Atlantic Richfield, but the market was left on tenterhooks at the close of business.

But the hints of slower growth in the domestic economy were good for the Government bond sector. Estimates for the deficit on the UK current trade account for December range to £300m-£400m, with Nomura Securities taking the lower end of the scale. The Nomura economists comment that "the prospect for slower economic growth, exchange rate stability and fading fears of a rise in interest rates can set the scene for a sustained first quarter rally in gilts".

Demand for bonds remained good, and prices resisted profit-taking, to close with gains spread across the range of the market in good two-way trade. The market looked very firm at the end of the day when US bonds were advancing as traders waited for President Reagan's address to Congress.

Short-dated Gilts responded well at first to a firmer trend in London money market rates which reflected a lifting of immediate concerns over the next trend of UK bank base rates. But most of the activity came in the longer dates, where gains reached to ½ point.

The continued demand for Government stocks showed itself in the Index-linked sector, where eager buyers took out around £130m of the £150m of new taplet tranchettes offered on Friday.

The £50m of 2½ pc IL Treasury'13 was taken out in one swoop when the Bank sold the stock at 85⅝, against the offer price of 85⅝. Also wiped out was the £50m of 2½ pc Treasury'20, issued at 90⅛, and sold at 90⅝, at 90¹¹⁄₁₆ and finally at 90¹¹⁄₁₆. A good part of the £50m of 2½ pc Treasury '03, issued at 104½ was sold at 104¾ and at 104¹³⁄₁₆.

The Index-linked stocks were again moving in response to the conventional Gilt-edged stocks, rather than establishing any particular point about inflationary views, said market traders.

Britoil was the focus of attention in oils as the City awaited news from the meeting of the board which, in the event, brought no new development. The market still expects news on Britoil's search for a White Knight to head off the unwanted bid from BP, which was increased late on Friday to £2.5bn by BP's agreement to acquire the Atlantic Richfield stake in Britoil. But Britoil stock, *finally* at 478p, remained well shy of the 500p cash now offered by BP. The market was looking at a range of possibilities, including a possible intervention by the Office of Fair Trading, or counter bid from a source friendly to Britoil.

British Gas, *which* refused comment on market rumours that it might be one of the potential White Knights, dipped 5 to 138p, as 8m shares were traded.

Just over 2m "old" shares in **British Petroleum** were traded, with the price finally little changed at 258p, while the "new", also hardly changed from Friday's close of 75p, turned in a turnover of 3.9m.

Meanwhile, there was plenty of action to satisfy the speculators elsewhere in the energy sector. **Burmah Oil** at 488p, gained a further 5 in heavy trading on hopes of an imminent bid, while **Tricentrol** moved up 6 to 167p as Elf of France extended its offer to mid-February.

Blue Arrow returned to the limelight a little sooner than anticipated following the news, just one day ahead of the expected announcement of the annual results, that Mr Christopher Castleman had resigned as Managing Director and Chief Executive, after an apparent difference of opinion with Mr Tony Berry, the Chairman.

The shares fell 7 to 93p on volume of some 3.2m. Blue Arrow's acquisition last year of Manpower of the US was funded by one of the largest (£837m) rights issues ever made in the UK stock market. Blue Arrow has already forecast pre-tax profits of £20m for the year to October 1987, but analysts hope for around £24m, with one month of *Manpower* earnings expected to be included.

Guinness shares were significantly less active than on Friday'igh volume when the brewing and spirits group bought in some 6.55m more of its own shares. Turnover, including a sizeable crossed order, amounted to only 2.1m shares, and this reinforced suspicions that the group had temporarily discontinued its buy-in programme ahead of disclosure of the 1987 annual results. A date for the announcement is yet to be announced but the group normally presents its preliminary statement during the latter part of March.

Guinness has shareholders' approval to buy in up to 10 per cent (around 83m shares) of its stock and yesterday disclosed total purchases of about 13m so far. The shares have been a weak market since the High Court action to overthrow a Takeover Panel began last Monday week, but edged firmer yesterday to 288p.

Rowntree, the major UK confectionery concern, was one of the few stocks to attract above average turnover with some 750,000 shares changing hands; the price rose 7 to 452p after news that the company is seeking buyers for its savoury snacks business, Tom's Foods and Rowntree Snack Foods. Rowntree sees increasing competition in snack foods markets and hopes that the eventual sale will release financial and management resources for the company's other businesses.

Mr Nick Nightingale, a Rowntree director would not put a price on the two companies being sold but expects to realise more than the £155m paid in 1983. Rowntree admits that it has received several approaches from different parties for both companies in the past, before the decision to sell.

Business among the major clearing banks was mainly confined to inter-broker dealing screens. **Barclays** showed 1.4m shares moving through the Seaq system, but the price was hardly changed at 493p.

Few deals of any size were transacted in the Brewery sector and, Guinness apart, the only stocks to attract interest were those currently favoured as possible bid or break-up targets. **Vaux**, last week's forerunner, moved higher again to 512p while **Greene King** rose 6 more to 474p. Both shares were marked higher at the outset following fresh conjecture concerning **Elders IXL**, the Australian brewing group, but consequently made little more headway.

Marketmakers reported minimal turnover among leading Building issues. **Blue Circle**, 5 off at 431p, attracted a turnover of only 264,000 shares as dealers contemplated whether or not the company may increase its offer for foundry products manufacturer Birmid Qualcast. *AMEC* settled a shade off at 331p as a line of some 400,000 shares were placed around the 328p level; the company has acquired Philadelphia-based Fire Protection Industries, a fire protection company which reportedly has a turnover of some $20m. Among second-line issues, **Robert M. Douglas** attracted persistent demand ahead of Friday's half-timer and rose 11 to 265p, while **Wiggins** gained 10 to 176p in reply to newsletter comment. **George Wimpey**, a firm market last week, gave up 6 at 248p owing to a lack of follow-through support, but certain other housebuilders made progress on talk of a broker's bullish circular in the offing. **Persimmon** added a couple of pence to 137p and **Berkeley** firmed 7 to 288p. Demand in a restricted market lifted **Newarthill** ½ to £12. **John Laing** firmed 5 to 280p following a broker's visit to the company.

ICI continued to ignore the *US currency's steadier performance* and drifted back to close ¼ cheaper at £10¾.

Leading stores failed to build on last week's recovery movement. Among the occasional features in the sector, **Underwoods** encountered speculative activity amid **Woolworth** bid rumours and the shares closed 32 higher at 148p. The latter gave up 8 to 265p. The excitement in Underwoods drew attention to **Lloyds Chemists** which improved 9 to 132p. **W.H. Smith**, scheduled to reveal interim figures tomorrow, drifted back to close 8 cheaper at 321p; analysts are forecasting pre-tax profits of around £30m.

An early attempt to improve by the Electrical leaders soon faded and many closed slightly softer for choice. **Racal Electronics** were unaffected by favourable comment plus news of a new Middle East contract and settled 3½ lower at 231p. The group is scheduled to unveil its interim figures today; marketmakers are hoping for an encouraging statement and profits within the £40m to £45m range.

Burgess slumped following revised lower terms from RHP, necessitated by a mix of adverse factors. These include *financial irregularities* at a German subsidiary, problems in the US and unfavourable trading conditions at the UK coin division. Burgess closed 42 down at 235 while RHP settled 12 lower at 201p. Elsewhere, press mention encouraged firmer trends in Arlen, 128p, and in Dowding & Mills, 57p. The listing of **Cranbrook Electronic** was suspended with the price at 75p.

Birmid Qualcast moved ahead in a volume of some 1.2m shares to close 12 higher at 351p as the market continued to anticipate an increased bid from Blue Circle; the latter is currently offering 306p per share cash. Among other Engineering issues, **Richards (Leicester)**, still reflecting last week's announcement of a large change in a shareholding, advanced 22 further to 310p. Bid speculation gave a sharp boost to **Woodhouse and Rixson** which closed 13 to the good at 98p. **Hall Engineering** were also noteworthy for a rise of 13 at 305p, while revived hopes of Canadian submarine orders left **VSEL Consortium** 32 higher at 522p in a limited market. **TI Group** edged up a few pence to 335p on news of the completion of the sale of the peripheral US engineering businesses of Houdaille for approximately $200m.

Significant movements in the Food sector were few, but **Booker** attracted occasional buying interest and rose 7 to 408p, while **Iceland Frozen Foods** moved up 14 to 307p helped by a broker's recommendation. **Fitch Lovell** were unchanged at 234p awaiting Thursday's interim results; profits in the region of £12.5m are expected, but several leading brokers consider the shares overvalued on fundamentals given the absence of any bid developments.

The major international stocks passed an extremely quiet trading session. A slightly better trend in the dollar and a firmer opening on Wall Street failed to help sentiment. **Hanson** were one of the few stocks to attract attention and bucked the trend with a modest gain of 2 at 133½p in a volume of some 5.6m shares. **Glaxo**, in contrast gave up ¼ to £10¾ in the wake *of bearish newspaper comment* on the company's short-term prospects in view of the recent fall in the dollar.

Speculative activity left **AAF Investments** 27 dearer at 127p. Favourable week-end Press mention fostered fresh interest in **Airsprung** which rose 8 to 213p; the company recently announced that it had filed a joint patent for a new fire resistant fell.

Bid speculation prompted a lively trade in **GEA**, which touched 110p prior to closing a couple of pence dearer at 109p. A Press suggestion that **ERF**, the commercial vehicle manufacturer, could announce sharply higher profits later this year touched off demand which, in a thin market, raised the shares 9 to 252p, a level only 21 off the high for 1987/88 high. Features in the Motor section were otherwise few but **Lex Service** backtracked as profits were taken after the recent good recovery and the close was 11 down at 305p.

Reed International followed the trend of other international stocks and ended 8 off at 407p, while Agency issues pursued an irregular course. **Lowe Howard-Spink** managed some improvement to 348p helped by a Citicorp Scrimgeour Vickers "buy" recommendation, but **WPP** fell 12 to 458p and **Saatchi & Saatchi** gave up 6 at 430p. **BLP**, the sales promotion group, gained 3 to 280p after unveiling record annual profits.

Properties took a distinct turn for the better late in the session and usually regained earlier losses. In fact, **Land Securities** finished with a net rise of 9 at 474p having been down to 463p at one stage. **MEPC** were finally 7 dearer at 459p and **British Land** a shade better on balance at 277p. Elsewhere, a 28 per cent increase in pre-tax half-year profits boosted *London Shop* 5 to 213p.

BAT Industries edged forward in a light volume, supported to some extent by analysts circulating their revised views of prospects after last week's meetings with the group. One advised that the recent profits downgrading should be kept in perspective and rated the shares, up 5 at 428p, a "buy". A UK recommendation for Philip Morris generated enthusiasm for **Rothmans International** which rose 5 to 393p.

Traded option business fell well short of Friday's relativly high level. Turnover slumped to just 13,387 contracts made up of 9,101 calls and 4,286 puts. The FTSE contract attracted 915 calls and 870 puts.

Traditional Options

- First dealings Jan 18
- Last dealings Jan 29
- Last declarations Apr 21
- For Settlement May 3

For rate indications see end of London Share Service

Dealers reported a low level of interest in the Traditional option market. Stocks to attract money for the call included **Maxwell Communication, Epicure, Control Securities, Northern Engineering, Property Trust** and **Ultramar**. Puts were taken out in **Blue Arrow** and **George Wimpey**, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Jan. 25	Jan. 22	Jan. 21	Jan. 20	Jan. 19	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	89.39	88.69	88.99	88.35	88.19	85.49	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.46	94.70	94.73	94.51	94.44	91.75	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1414.0	1421.0	1404.0	1409.2	1423.0	1411.2	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	279.1	279.9	279.9	281.3	284.1	318.5	497.5 (4/8/87)	261.6 (6/11/87)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.43	4.40	4.45	4.43	4.39	4.03				
Earnings Yld. %(full)	11.19	11.02	11.16	11.11	10.99	9.47				
P/E Ratio (net)(*)	10.92	11.12	10.98	11.03	11.15	12.94				
SEAQ Bargains (5pm)	22,950	28,744	25,150	23,393	23,749	37,845				
Equity Turnover (£m)	-	-	1140.10	863.65	1074.60	1188.27				
Equity Bargains	-	-	26,919	25,455	26,504	46,908				
Shares Traded (ml)	-	-	426.1	421.3	352.1	490.4				

S.E ACTIVITY

Indices	Jan.22	Jan.21
Gilt Edged Bargains	-	125.9
Equity Bargains	-	174.4
Equity Value	-	2304.4
5-Day average		
Gilt Edged Bargains	-	126.8
Equity Bargains	-	177.9
Equity Value	-	2086.8

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1416.8	1415.5	1409.9	1410.8	1410.1	1411.1	1411.3	1409.7

Day's High 1416.8 Day's low 1409.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.81.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (4).
BRITISH FUNDS (3) Transport 3pc 1978-88, Treas. 8pc Cv 1990 (£50pd), Treas. 8¾pc. Ln "C" 1997 (£50pd), TRUSTS (1) River & Mercantile Stepped Pref.

NEW LOWS (10).
CANADIANS (1) Spiral Eng., BANKS (2) Ansbacher (H.), Commerzbank, CHEMICALS (1) Bayer AG, FOODS (1) Matthews (B.), LEISURE (1) Trilion, PROPERTY (1) Clayform Prop. Warrants, TRUSTS (1) Second Market Inv., MINES (2) Kinross, St. Helena.

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday January 25 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Jan 22 Index No.	Thu Jan 21 Index No.	Wed Jan 20 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (57)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (184)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (485)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (124)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (52)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (86)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (720)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX ♦	1762.2	-8.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Mon Jan 25	Day's change %	Fri Jan 22	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	123.03	+0.40	122.53	-	[illegible]
2 5-15 years	139.60	+0.63	138.76	[illegible]	[illegible]
3 Over 15 years	149.56	+0.75	148.45	-	[illegible]
4 Irredeemables	165.14	+1.16	163.24	-	[illegible]
5 All stocks	136.74	+0.69	135.97	[illegible]	[illegible]
Index-Linked					
6 5 years	124.84	+0.29	124.48	-	[illegible]
7 Over 5 years	114.06	+0.46	113.54	-	[illegible]
8 All stocks	114.78	+0.46	114.27	-	[illegible]
9 Debentures & Loans	118.11	+0.70	117.29	-	[illegible]
10 Preference	85.56	-0.28	85.96	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 25	Fri Jan 22	Year ago (approx.)
British Government 1–18	[illegible]	[illegible]	[illegible]	[illegible]

♦Opening index 1767.4; 10 am 1765.2; 11 am 1758.1; Noon 1759.6; 1 pm 1758.2; 2 pm 1758.6; 3 pm 1759.0; 3.30 pm 1757.5; 4 pm 1757.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
CONSTITUENT CHANGES: Freemans(34) has been deleted and replaced by Anglia Secured Homes(30).

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jul.	Calls Oct.	Puts Apr.	Puts Jul.	Puts Oct.
Allied Lyons (*341)	330	35	45	53	18	30	35
	360	20	30	40	35	45	52
	390	11	20	-	55	65	-
Brit. Airways (*165)	140	33	40	45	5	9	12
	160	20	27	35	12	20	22
	180	13	18	25	25	32	36
Brit. & Comm.	300	52	65	75	15	20	27
Further series	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
LASMO (*314)	280	50	65	78	10	27	35
	300	37	50	67	18	35	45
	330	19	33	50	35	48	60
P. & O. (*542)	500	52	72	88	8	27	40
	550	18	45	63	30	55	68
	600	-	22	-	-	88	-
Pilkington	220	20	40	47	9	20	30
Further series	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 25 Total Contracts 13,387 Calls 9,101 Puts 4,286. FT-SE Index Calls 915 Puts 870. *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
[illegible]	[illegible]	Enterprise Oil	704	Prudential	394
[illegible]	[illegible]	[illegible]	1,100	Racal	5,000
[illegible]	[illegible]	[illegible] Accident	224	Rank Org.	436
[illegible]	[illegible]	[illegible] Elect.	2,100	RMC	147
[illegible]	[illegible]	[illegible]	1,200	RHM	112
[illegible]	[illegible]	[illegible] Investment	422	Reckitt & Col.	55
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA | FRANCE | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued)

[illegible]

BELGIUM/LUXEMBOURG | ITALY | NORWAY | SWITZERLAND

[illegible]

DENMARK | GERMANY | SPAIN | SOUTH AFRICA

[illegible]

FINLAND | SWEDEN

[illegible]

JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | SINGAPORE

[illegible]

CANADA

TORONTO
Prices at 2.30pm January 25

[illegible]

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 41

[illegible]

Rexon	10	160	$6\frac{1}{8}$	$5\frac{3}{4}$	6	$+\frac{3}{8}$
ReyRy .76	9	1545	$17\frac{1}{4}$	$16\frac{3}{4}$	$16\frac{3}{4}$	
Riblkn		554	$4\frac{3}{4}$	$4\frac{5}{8}$	$4\frac{3}{4}$	
RchmHl.10e		5230	u$21\frac{1}{4}$	20	20	$+1\frac{1}{8}$
RiggsNt1.10	289	268	$20\frac{1}{2}$	$19\frac{3}{4}$	$20\frac{1}{4}$	
RoadSv1.10	20	680	$29\frac{3}{4}$	$29\frac{1}{4}$	$29\frac{1}{2}$	
RochCS.12a	9	131	$10\frac{1}{4}$	$10\frac{1}{8}$	$10\frac{1}{4}$	$+\frac{1}{8}$
RsvltFd		229	$9\frac{1}{2}$	$9\frac{1}{4}$	$9\frac{1}{2}$	
Rosptch		43	$19\frac{1}{2}$	$19\frac{1}{4}$	$19\frac{1}{4}$	$+\frac{1}{4}$
RossStr		209	$5\frac{5}{8}$	$5\frac{3}{8}$	$5\frac{5}{8}$	$+\frac{1}{4}$
Rouses .47	92	304	$19\frac{1}{2}$	$19\frac{1}{4}$	$19\frac{3}{8}$	$+\frac{1}{8}$
RoyGld	50	15	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{1}{2}$	$-\frac{1}{4}$
SCarNt .56	8	111	$19\frac{1}{4}$	19	$19\frac{1}{4}$	$+\frac{1}{4}$
Sounet	82	136	14	$13\frac{3}{4}$	14	$+\frac{1}{2}$
SchlcSv		341	18	$17\frac{3}{4}$	$17\frac{7}{8}$	
Soutrst .88	7	128	$18\frac{1}{8}$	$17\frac{3}{4}$	$18\frac{1}{8}$	$+\frac{3}{8}$
Sovran 1.44	9	3860	$33\frac{1}{8}$	33	$33\frac{1}{8}$	$+\frac{1}{8}$
Spartcs	8	129	$6\frac{3}{4}$	$6\frac{5}{8}$	$6\frac{5}{8}$	$+\frac{1}{4}$
Standys .92	16	1084	u$45\frac{3}{4}$	$44\frac{3}{4}$	$45\frac{5}{8}$	$+\frac{3}{4}$
StdMic		1202	$8\frac{5}{8}$	$8\frac{3}{8}$	$8\frac{1}{2}$	$+\frac{1}{8}$
StdRegs 44	16	536	$20\frac{3}{4}$	$19\frac{1}{2}$	$20\frac{5}{8}$	$+\frac{7}{8}$
StrptSv1.43t		15	$13\frac{1}{4}$	$12\frac{1}{2}$	$12\frac{1}{2}$	
Stars		257	$1\frac{3}{8}$	$1\frac{1}{4}$	$1\frac{1}{4}$	$-\frac{1}{8}$
StaStBo 48	10	1094	$22\frac{1}{4}$	$21\frac{7}{8}$	22	$+\frac{1}{8}$
UnPlntr .60	16	367	22	$21\frac{3}{4}$	$21\frac{3}{4}$	$-\frac{1}{2}$
UnSplC	17	9	$21\frac{1}{2}$	21	21	$+\frac{3}{4}$
UACm .04	198	55	$23\frac{3}{4}$	23	$23\frac{3}{4}$	$+\frac{1}{2}$
UBCal	27	109	$17\frac{1}{8}$	$16\frac{1}{2}$	17	$+\frac{3}{8}$
UnCosF .55	8	25	$18\frac{3}{4}$	$18\frac{3}{4}$	$18\frac{3}{4}$	
UHltCr		349	$4\frac{1}{2}$	4	$4\frac{1}{8}$	$-\frac{1}{4}$
UtdSvrs 72	4	62	$15\frac{1}{4}$	$14\frac{3}{4}$	$15\frac{1}{4}$	$+\frac{1}{2}$
USBcp .80	9	1279	$23\frac{1}{4}$	$22\frac{7}{8}$	$23\frac{1}{8}$	$+\frac{1}{8}$
US HltC 16	168	1683	$6\frac{7}{8}$	$6\frac{3}{8}$	$6\frac{5}{8}$	$+\frac{1}{4}$
USTrst 1	12	171	$40\frac{1}{2}$	40	$40\frac{1}{2}$	
UStatn .28	16	35	$17\frac{1}{2}$	17	17	$-\frac{1}{2}$
UnTelev	69	5	$23\frac{1}{2}$	$23\frac{1}{2}$	$23\frac{1}{2}$	$+\frac{1}{2}$

X Y Z

XOMA		93	$12\frac{1}{2}$	12	$12\frac{1}{2}$	$+\frac{1}{4}$
Xicor	116	494	$8\frac{3}{8}$	$8\frac{1}{8}$	$8\frac{1}{4}$	
Xidex		1204	$6\frac{3}{4}$	$6\frac{3}{8}$	$6\frac{5}{8}$	$+\frac{1}{2}$
Xylogic	9	32	$9\frac{3}{4}$	$9\frac{1}{4}$	$9\frac{1}{4}$	$-\frac{1}{4}$
Xyvan	13	120	$5\frac{1}{2}$	$4\frac{7}{8}$	$4\frac{7}{8}$	$-\frac{1}{2}$
YlowFs .62	20	388	$28\frac{1}{8}$	$27\frac{7}{8}$	$28\frac{1}{8}$	
ZionUt 1.44		14	$24\frac{3}{4}$	24	$24\frac{3}{4}$	$+\frac{1}{2}$
Zondvn		85	$8\frac{3}{8}$	8	$8\frac{1}{4}$	$-\frac{1}{4}$
Zycad		783	$4\frac{3}{8}$	$4\frac{1}{8}$	$4\frac{1}{4}$	$+\frac{1}{8}$

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			
Exch. 15% 1997	£131$\frac{3}{8}$	+	1
Douglas (Robert M.)	365	+	11
E.R.F. (Hldgs.)	252	+	9
LandLeisure	364	+	15
Land Securities	474	+	9
Microsystems Group	305	+	13
Really Useful Group	602	+	7
Richards (Leicester)	310	+	22
Sketchley	388	+	5
Underwoods	148	+	32
Wholesale Fittings	425	+	12
Wiggins Group	176	+	10
Woodhouse & Rixson	98	+	13

FALLS			
Blue Arrow	93	-	7
Burgess Group	235	-	42
Courtaulds	323	-	8
Lex Service	306	-	11
RHP Group	201	-	12
Wimpey (George)	248	-	6

TOKYO - Most Active Stocks
Monday January 25 1987

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	24.13m	340	+10
Tokyo Gas	21.37m	975	+55
Ishikawajima-Harima Heavy Inds	21.31m	676	+10
Nissan Motor	17.45m	782	+7
Mitsubishi Estate	14.11m	782	+7
Mitsui OK Lines	13.97	320	+17
Nippon Steel	12.00m	385	+9
Mitsui & Co	10.70m	716	+17
Sumitomo Chemical	10.69m	955	+17
Sankyo	9.52m	2,070	+30

Indices

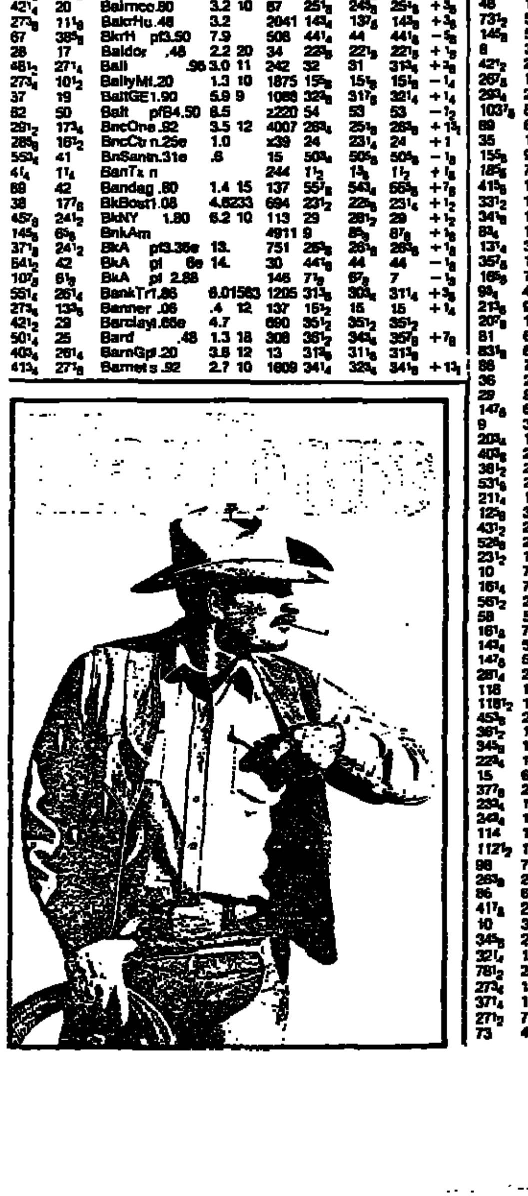
NEW YORK | DOW JONES | STANDARD AND POOR'S | NYSE | TRADING ACTIVITY | CANADA | NEW YORK ACTIVE STOCKS

[illegible]

Prices at 3pm, January 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	2.0	16	35	18	17⅞	18	+⅛
32½	21	AFG s	.16	.7	11	490	24½	24⅛	24½	+⅜
27	10½	AGS s			12	193	15⅜	14	14	−1
9⅝	3¼	AM Intl			38	208	5⅜	5¼	5⅜	
65½	26¾	AMR			10	1728	34⅛	33⅛	33⅞	+⅞
25	19	ANR pf 2.12		10		1	20⅞	20⅞	20⅞	
12¼	6⅜	ARX s			8	55	7¾	7⅝	7⅝	−⅛
73½	39½	ASA	2a	4.3		564	47¾	46⅛	46⅛	−1
22⅜	9½	AVX			17	108	13¼	13⅛	13⅛	
67	40	AbtLab	1	2.2	17	12844	45⅞	45	45⅞	−⅜
28	15⅜	Abitibi g				2	20¼	20¼	20¼	+⅛
16¾	8½	AcmeC .40		3.6	16	80	11¼	10⅞	11¼	+⅛
10½	6¾	AcmeE .32b		4.2	26	17	7⅝	7⅝	7⅝	+⅛
20	14⅛	AdaEx 3.05e		20.		119	15½	15⅛	15⅜	
19½	6⅞	AdamMl.24		2.7	7	17	8¾	8¾	8¾	+⅛
24⅞	7½	AMD				1410	9½	9¼	9¼	−⅛
56¾	29¼	AMD pf	3	9.4		18	32	31¾	32	
11⅞	4⅝	Acobe				19	5⅝	5½	5½	−⅛
20½	16¼	Adob pf 1.84		11		2	16⅞	16⅞	16⅞	
15	6⅛	Advest .12a		1.7	5	75	7⅜	7	7	−⅛
68¼	43½	AetnLf 2.76		6.0	6	2176	46¾	45¼	46¼	+1
83½	40	AfilPub .40		.7	9	293	57	53	55½	+2
36⅞	13	Ahmans .88		5.4	8	1827	16⅝	16⅜	16⅜	
5⅜	1¾	Aileen				76	2¼	2	2¼	+⅛
53⅞	29	AirPrd	1	2.5	13	3382	41	39⅞	40¾	+⅞
36	11¼	AirbFrt .60		4.6	8	574	13¾	13⅛	13⅛	−½
16½	5¾	Airgas			16	17	10⅞	10⅝	10⅞	+⅝
19½	13½	AirlcasQ.16e		12	10	11	17¾	17¾	17¾	+⅛
15-32	5-16	AlMoan			41	31	13-32	⅜	13-32	+1
10¾	7⅝	AlaP dpf.87		9.3		21	9½	9⅜	9⅜	−⅛
106¼	81½	AlaP pf 9		9.5		z510	94¾	94¾	94¾	+1
104	76	AlaP pf 9.16		9.5		z100	86	86	86	+1
27⅞	12¼	AlskAir .16		1.0	20	1012	15⅝	14⅝	15½	+¾
[illegible]										



Continued on Page 41

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NYSE COMPOSITE PRICES

Continued from Page 40

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21½	7⅛	Wickes			4	484	10⅛	9⅞	9⅞	+⅛
10⅞	2½	Wick wt				26	4⅜	4⅛	4⅜	+⅛
32¼	17⅜	Wick pfA2.50		13.		140	20	19⅞	20	
10¾	3⅜	Wilfred .12		2.7	75	25	4½	4½	4½	
28⅝	10	WillcG s .15		.9	13	125	16⅜	16⅛	16¼	
37⅞	19¾	WillamI.40		5.8		313	24¼	23⅝	24	+¼
51⅛	42½	WmNGpf3.54e		7.2		1570	49¼	49¼	49¼	+1⅛
8½	4⅜	WilshrO				11	5⅛	5	5	
17¾	3½	Winchel.05e		20.		97	5⅜	5¼	5¼	
7⅛	1½	Winjak.16e		7.5		70	2⅛	2⅛	2⅛	
52	37½	WinDxt1.86		4.5	15	319	41⅞	39¾	41	+1⅛
15⅞	7	Winnbg .40		4.8	14	14	8¼	8⅛	8¼	+⅛
4	1¼	Winner				13	2⅜	2⅝	2⅜	
28½	21	WisEn s1.44		5.7	10	1058	25¼	24⅞	25¼	+¼
28	25¾	WisG pf2.55		9.4		1	27	27	27	
54	42½	WiscPL3.24		7.1	11	x48	45½	45	45½	+¾
28⅞	18⅞	WisPS s1.54		7.0	11	214	22¼	21½	22⅛	+½
47⅜	28⅝	Witco 1.28		4.1	11	150	31¾	31⅛	31⅜	−⅝
16½	9	WolvTc .20		1.6	9	33	12½	12¼	12⅜	
14	7½	WolvrW			57	12	9¾	9¾	9¾	
39⅝	29½	Wrlwth s1.32		3.5	11	1973	38¾	37	38¼	+1⅞
19½	10⅝	WrldVl				52	12⅝	12⅜	12½	+⅛
81¾	39	Wrigly 1.04a		1.4	23	119	75½	72¾	75	+1⅜
3⅛	1	Wurlitzr				2	1¼	1⅛	1⅛	−⅛
17½	7	WyleL s .28		2.7	20	430	10⅝	10¼	10⅜	+⅛
30⅝	14½	Wynns .80		3.3	14	48	18½	17¾	18	
		X Y Z								
85	50	Xerox 3		5.3	12	2886	58¾	55	56⅝	+1⅞
58¼	52½	Xerox pf5.45		10.		120	53¾	53⅝	53¾	+⅛
31½	19⅛	XTRA .64		2.5	17	3	25⅝	25⅝	25⅝	−⅛
28¼	19½	XTRA pf1.94		8.1		5	24	24	24	+½
33⅞	17½	Yorkin			9	11	22⅞	22⅞	22⅞	+¼
7¼	2¼	Zapata				88	2⅝	2½	2⅝	+⅛
37	13½	Zayre .40		2.5	6	9005	16⅛	15½	16⅛	+1⅛
16⅞	8¾	Zemex .40		3.6	10	23	11¼	11	11¼	
33⅝	10	ZenithE				1872	14	13⅝	14	+⅜
18½	2½	ZenLab				498	3	2⅞	3	
25½	13½	ZenNtl .80		4.7	8	x59	17⅛	16⅞	17⅛	+½
20⅜	11⅜	Zero .36		2.4	15	67	15	14⅝	15	+⅜
30¾	15	Zurnin s .88		3.2	14	238	21¼	20	21⅛	+1⅛
10⅝	7⅛	Zweig 1.08e		12.		354	9½	9⅜	9⅜	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, January 25

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 39

FINANCIAL TIMES
Tuesday January 26 1988

AMERICA

Takeover bids tug Dow higher in lively trade

Wall Street

THE EQUITY market got the week off to a reasonable start with the Dow Jones Industrial Average pulled upwards by heavy trading in stocks involved in takeover bids, *writes Janet Bush in New York.*

At 2pm. the Dow index stood 44.27 points higher at 1,947.78. By midsession, around 200m shares had changed hands, dwarfing Friday's total volume of 147m shares.

However, market participants estimated that about 60 per cent of yesterday's morning activity was related to takeover stocks and dividend plays on several high-yielding stocks which will go ex-dividend today.

One of the major and intensifying worries in the equity market has been the lack of retail investor and institutional interest in participating in the market.

The securities industry and the New York Stock Exchange have put this down to investor *fear of volatility and it has led* to several securities houses winding down their programme trading for their own accounts, as well as for the NYSE's experimental limits on programme trading.

The equity market continues to display no clear trend, while the bond market seems to have regained its confidence in recent days. After a period just before Christmas when there was a measure of complacency about the possibility of a recession, these fears seem to have resurfaced.

The only stocks which seem to be attractive at the moment are ones involved in particular, often takeover-related situations.

The kind of issues expected to benefit from a shift away from consumer-led growth to manufacturing and export-led expansion have not been particularly popular.

In the bond market, prices built on last week's gains but movements were not large. At midsession, the Treasury's 8.875 per cent 30-year bond was up ⅛ point to yield 8.62 per cent, although prices began to slip back as the equity market rally gained steam.

Several factors have given the market underlying strength. Last week's run of weak economic figures helped sentiment as well as signs that the Treasury's quarterly refunding in early February will be smaller than anticipated because of substantial inflows from foreign central banks into US securities. In addition, the dollar has been more stable.

However, there is an element of caution in the bond market, natural after its strong rally recently.

In the equity market, takeover stocks were the centre of attention. Eastman Kodak, which announced a friendly takeover of Sterling Drug forcing Hoffman-La Roche to drop its own bid, had declined $4½ to $44⅝ by midsession. In stark contrast, Sterling jumped $8⅞ to $87⅞.

The drop in Eastman Kodak's price seemed to reflect concern about substantial dilution of earnings per share over the next few years.

Federated Department Stores surged $13¼ to $49⅛, immediately wiping out the premium built into the bid by Campeau Corp of Canada announced yesterday. Campeau said it was making a tender offer at $47 a share in cash or $4.2bn.

Irving Bank fell $1⅛ to $52½ by midsession after news that the Bank of New York had revised the terms of its tender offer, lowering the price it was willing to pay.

The Bank of New York had previously offered $68 per share in cash and is now offering cash and stock at $60 a share. Bank of New York rose $½ to $29.

American Brands, which last Friday launched a counter-bid for E-II Holdings, rose $1⅛ to $49 while E-II was unchanged at $12⅞.

Farmers Group, currently subject to a bid from Britain's BAT Industries, was up $¼ at $57⅞.

Computer stocks, which were hard-hit last week in response to a set of disappointing results for International Business Machines, generally recovered yesterday. Compaq rose $2 to $47½. IBM itself was up $1⅞ at $112⅞ and Data General rose $1¼ to $26½.

Among blue chips, Merck jumped $2⅞ to $153¾. Proctor & Gamble rose $2½ to $85¾ and General Electric edged $⅛ higher to $44⅞.

Canada

MODERATE losses in golds put pressure on stocks in Toronto, taking most sectors broadly lower despite selected gains in energy and blue chip stocks.

Golds declined as International Corona lost C$¼ to C$11⅞. Lac dropped C$⅜ to C$11½ and Echo Bay Mines fell C$1¼ to C$24.

Metals were generally lower. Falconbridge dropped C$⅞ to C$20⅜. Inco fell C$¼ to C$25½ and Alcan was unchanged at C$34⅛.

Energy issues were broadly mixed. Texaco Canada advanced C$¼ to C$30¼, Shell Canada put on C$⅛ to C$38⅜ and Imperial Oil declined C$⅞ to C$55⅛.

Blue chip stocks also tended to be mixed. Northern Telecom was unchanged at C$22¾ and Seagram advanced C$1½ to C$68¾.

Among the most active industrials were Placer Dome, falling C$⅝ to C$16¼ and Canadian Pacific, declining C$⅝ to C$21½.

In Montreal, the market portfolio index dropped 2.80 to 1,542.34. In Vancouver, the index fell 3.80 to 1,169.3.

EUROPE

Blue chips drift as subdued investors hug sidelines

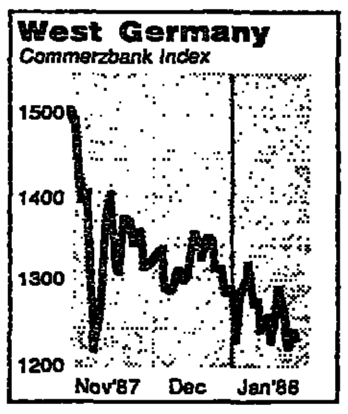
A LACK of any encouraging news on the economic or currency fronts left European investors subdued yesterday. Those investors who did take to the floor looked to domestic factors and shares prices on individual bourses drifted accordingly.

FRANKFURT ended a cautious and lacklustre session on an easier note. The steady dollar and gains on Wall Street and in Tokyo failed to attract buyers and the market was uneasy about the lingering debate on *withholding tax.*

The Commerzbank 60-share index shed 4.6 to 1,241.8. Retailers were sharply lower after forecasts of lower exports for the year. Karstadt led the way down, shedding DM11 to DM374.

Cars ended mixed, with Porsche down DM15 to DM417, VW off DM1.30 at DM214, Daimler up DM3 at DM548 and BMW adding DM1 to DM497.

Most other sectors posted *modest losses.*



The bond market was hesitant with investors remaining *sidelined or taking profits* on last weeks gains. The Bundesbank sold DM86.8m of paper after selling DM93.6m on Friday.

BRUSSELS was lifted by the performance of Société Générale de Belgique's share, Réserve, which was actively traded and added BFr100 to *BFr3,310.*

Among other holdings, GBL eased BFr30 to BFr2,650, Sofina rose BFr170 to BFr9,680 and Cobepa added BFr50 to BFr4,450.

Chemicals group Gevaert firmed BFr150 to BFr6,350. After the bourse closed, the group announced that it would lead a group of European companies in buying up to 10m of the newly-issued Société Générale shares.

Blue-chip Petrofina ended BFR120 higher at BFr9,340 and chemical Solvay rose BFr70 to BFr9,290 on news that it was indirectly raising its stake in Société Générale.

Elsewhere, trading volume *was modest and price movements narrow.*

AMSTERDAM inched higher in uneasy but calm trading. Many investors were on the sidelines awaiting results from chemical group Akzo as an *indication of how Dutch companies* survived the dollar's decline.

Akzo slipped 90 cents to Fl *89.10 and elsewhere among* blue chips, Royal Dutch added 90 cents to Fl 205.50 and Unilever was 70 cents higher at Fl 107.50.

ZURICH ended little changed. The dollar's stability did little to allay fears of a recession and most activity was related to traders executing orders rather than building new positions. The Crédit Suisse index slipped 0.4 to 410.6 and the Swiss Index rose 2.0 to 764.5.

Hoffman-La Roche firmed SFr5,000 to SFr189,000 and 'Baby' certificates added SFr175 to SFr9,525 after the company withdrew its offer for US drug group Sterling Drug.

PARIS maintained an easier trend although a ¼ *percentage* point cut in the intervention rate to 7¼ per cent led to a tentative rally, pulling selected issues off their earlier lows.

Most leading blue chips showed slight gains by the close. Elf was up FFr1 to FFR234, Thomson CSF gained FFR1.50 to FFr122 and Cie du Midi firmed FFr1 to FFr970.

MILAN sunk to its third consecutive low for the year as political uncertainties continued to weigh on the market. The MIB index dropped 2.77 to 955 after mutual funds led a sell-off which took all sectors broadly lower.

Industrial blue chips were hardest hit, followed by banks and insurers.

MADRID firmed as most sectors moved higher, buoyed by lower overnight assistance rates for funds, the firmer dollar dollar and signs of stability on international markets. The all-share *index* rose 4.83 to 250.03 in moderate trade.

STOCKHOLM took heart from indications that the private sector strike may be coming to an end and share prices rose across the board

OSLO closed broadly mixed in light trading with no new factors to direct the start of the new week's trade. Industrials lost ground following the lead set by Orkla Borregaard which lost Nkr5 to Nkr327. Other sectors were *little changed or* narrowly higher.

HELSINKI remained mixed with a firmer bias but trading was very thin. The Unitas all-share index edged up 0.1 per cent to 550.5.

London

UK equities recovered some earlier losses in late trading, climbing off earlier lows as Wall Street moved higher. Volume was the lowest recorded since last October, apart from the Christmas holidays, with dealers blaming the continued tendency of investors to remain on the sidelines.

The FT-SE 100 index fell 8.7 to 1,762.2 and the FT Ordinary index slipped 11.3 to 1,409.7.

Germany catches up with first 'real time' market index

The Commerzbank and FAZ market indices are set to face a rival, writes Haig Simonian

WITH eight bourses and a federal system which encourages regional rivalry, choosing the right equity index is more difficult for fund managers in West Germany *than in many other* markets. From February 1 their choice will have widened still further with the introduction of the first "real time" index covering the Frankfurt market.

West Germany's oldest market indicator is the Commerzbank index, comprising 60 leading blue chips and computed on each trading day. The shares which make it up often seem to come in threes: it includes the big three chemicals conglomerates, likewise Hoesch, Kloeckner-Werke and Thyssen, Germany's leading iron and steel manufacturing trio.

The addition of Porsche pushed the number of car makers covered to four, while the index takes in the big three commercial banks, as well as Bayerische Vereinsbank and Bayerische Hypotheken-und Wechselbank from Bavaria.

The consumer sector contains some slightly less familiar names for international investors, such as Salamander, the shoe group, and Wella, the cosmetics and hair products company. Dortmunder Union is the only brewery represented, though, while the four stores listed exclude fast-growing newcomers like Asko.

Shares are selected for their liquidity and represent a cross section of German finance and industry, according to the bank.

The Commerzbank index is calculated on a weighted basis and is based on December 1953 prices (=100). *It comprises* about three quarters of the aggregate market value of all officially quoted German shares. The bank also produces 12 sectoral indices.

The Frankfurter Allgemeine Zeitung (FAZ) index, meanwhile, is based on share prices at the Frankfurt bourse, Germany's biggest, rather than Düsseldorf, the second busiest.

The FAZ, which is most often quoted by professional investors, incorporates 100 shares. Chemical and rubber issues accounted for 25,02 per cent of the index at the end of last year. followed by car and machine tool manufacturers, *with 16.82 per cent, and banks* and insurers with 16.63 per cent. Bayer was the biggest single constituent as of December 30, with a 7.84 per cent share, followed closely by fellow chemicals Hoechst and BASF.

In addition to the FAZ and Commerzbank indices, the Boersen-Zeitung, a specialist financial paper, also produces its own *30-share indicator.* The index already has an edge over its rivals in that it is updated every 30 minutes during the two hours of official trading, rather than on the basis of the single daily share price fixing, as with the Commerzbank and FAZ indices.

From February 1, however, the Boersen-Zeitung index may gain a decisive advantage when it will list the same shares as the new real-time index, which was introduced at the beginning of this year and which is being tested on the Frankfurt bourse.

Rather than depending on the daily official fixing for its prices, the new system, based on KISS (Kurs-Informations-Service-System), the Frankfurt bourse's computer-based share price information system, monitors the price movements of 30 leading shares, which it recalculates every 60 seconds during official trading.

The index means Germany will finally catch up with developments in other markets which already have "real-time" indices, partly to cater for new equity futures and options contracts, which require the most up-to-date prices.

The index is based on prices *at the beginning of 1988* (=1,000). Bayer takes pride of place, with a 10.88 per cent weighting, followed by BASF with 9.64 per cent and Siemens with 8.35 per cent. Together, the top 10 constituents comprise almost 70 per cent of the total weighting.

The question is how rival indices will react. Commerzbank may decide to base its index on the Frankfurt fixing. *FAZ is weighing its options.*

● The FT-Actuaries World Indices reflect about 2,440 shares traded in 24 countries: there are 94 constituents in the German index.

ASIA

Interest rate hopes lift Nikkei

Tokyo

EXPECTATIONS of lower short-term interest rates and higher corporate earnings lifted share prices in Tokyo yesterday, but volume remained comparatively light despite a burst of buying by major brokerage houses in the final minutes of the session, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average closed a net 193.07 higher at 23,318.40 after hitting a high of 23,344.19 in mid-afternoon. Volume totalled 554.78m shares, compared with Friday's 569.06m and advances outnumbered declines by 544 to 340, *with 133 issues unchanged.*

Tokkin money trusts and fund trusts, reported to have huge unrealised losses in their stock holdings, entered the market in a buying excercise before closing their books at the end of March.

Buying interest centred on demand-related issues such as power and gas utilities, properties and financials amid growing speculation that the Bank of Japan was guiding interest rates lower.

Tokyo Gas was actively traded and jumped Y55 to Y975 on small-lot buying by institu*tional investors and individu*als. Other power utilities also fared well, with Tokyo Electric Power surging Y120 to Y5,400, Kansai Electric Power climbing Y70 to Y2,780 and Chubu Electric Power up Y40 to Y2,700.

Large-capital stocks were traded briskly. Kawasaki Steel topped the most active list with 24.13m shares traded and rose Y10 to Y340. Ishikawajima-Harima Heavy Industries and Nippon Steel gained Y10 and Y9 to Y676 and Y385, respectively.

Small-lot buying drove financial issues higher, with Tokio Marine and Fire Insurance adding Y50 to Y1,910, Nomura Securities rising Y70 to Y3,180 and Sumitomo Marine and Fire up Y20 to Y1,210.

Some pharmaceuticals reporting good business performances firmed. Sankyo advanced Y30 to Y2,070 and Takeda Chemical put on Y20 to Y3,080.

High-technology stocks were out of favour and slipped broadly lower. Fujitsu ended at Y1,420, unchanged from Saturday, Hitachi fell Y10 to Y1,220, Toshiba shed Y3 to Y667, Sony dipped Y20 to Y4,690 and NEC lost Y20 to Y2,000.

Bond prices weakened in early trading on expectations that the Bank of Japan, which had *purchased bills for six* consecutive days, would take similar action in another move to guide interest rates lower. The yield on the benchmark 5.0 per cent Government bond, maturing in December 1997, fell to 4.235 per cent from 4.265 per cent at Saturday's close.

However, central bank buying did not materialise, sparking selling in late trading. As a result, the yield on the benchmark issue turned upward, closing the day's trading at 4.265 per cent, unchanged from Saturday.

Speculation that the coupon rate on long-term Government bonds to be issued in February could be lowered by 0.1 percentage point to 4.8 per cent also weighed on the bond market.

On the Osaka Securities Exchange (OSE) prices rose, with buying focusing on speculative issues and domestic demand-related stocks.

The 250-issue OSE stock average finished 177.14 higher at 23,566.05, on an estimated volume of 70.60m shares, down 940,000 from last Friday.

Hong Kong

PORTFOLIO trimming by overseas institutions continued in a thin and cautious market, pushing share prices lower. The Hang Seng index lost 15.09 to 2,407.29 after an early surge of 18.

Hongkong Land came under selling pressure, giving up 5 cents to HK$7.20. Cheung Kong lost 15 cents to HK$6.70 and Hutchison Whampoa affiliate shed 5 to HK$7.20.

Singapore

PROFIT-TAKING eroded some of the morning's gains, leaving share prices only marginally higher. The Straits Times industrial index rose 3.79 to 908.72.

A handful of blue chips edged higher. DBS added 15 cents to S$9.85, Singapore Press Holdings rose 10 cents to S$7.36. SIA was up 10 cents to S$9.90 and Fraser and Neave put on 5 cents to S$8.10.

Sydney was closed for the Australia Day holiday.

SOUTH AFRICA

THE FINANCIAL rand held its highs as bullion prices hovered, leaving Johannesburg gold shares softer overall. Trading, however, was thin and losses modest.

Heavyweight gold miner Vaal Reefs surrendered R6 to R294 and Kloof was R1.25 easier at R34.75. Randfontein, however, found some support and held steady at R250.

Mining financials were narrowly mixed, with Anglo American adding 50 cents to end at R48.25, but with Gencor easing 50 cents to R45. Goldfields of South Africa was steady at R53.50.

Bellwether diamond stock De Beers ended 15 cents higher at R28.25, while other minings were little changed. Rustenberg Platinum crept 35 cents higher to R28.25.

Industrials closed mixed.

FT—ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 22 1988					THURSDAY JANUARY 21 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	99.99	−0.3	83.17	93.21	4.86	100.25	82.73	93.21	180.81	85.36	103.89
Austria (16)	89.32	−1.0	74.30	77.65	2.70	90.27	74.50	78.06	102.87	85.53	98.57
Belgium (48)	104.06	−0.4	86.55	89.94	5.27	104.42	86.18	89.87	134.89	94.63	104.05
Canada (127)	110.08	+0.2	91.56	101.99	3.05	109.83	90.64	101.96	141.78	98.15	109.28
Denmark (38)	112.48	−0.3	93.56	98.45	3.01	112.78	93.07	98.02	124.83	98.18	120.75
Finland (23)	110.70	−0.1	92.08	94.42	1.80	110.86	91.49	94.18	—	—	—
France (124)	74.81	−1.7	62.23	66.25	4.48	76.08	62.79	66.92	121.82	74.81	112.41
West Germany (94)	69.90	+1.1	58.14	60.85	3.06	69.16	57.08	59.82	104.93	68.80	98.68
Hong Kong (46)	91.97	+0.3	76.49	92.01	5.71	91.70	75.67	91.72	158.68	73.92	98.86
Ireland (14)	110.66	+0.4	92.04	98.25	4.61	110.20	90.95	97.20	160.22	93.50	113.18
Italy (94)	72.12	−0.8	59.99	66.30	2.89	72.74	60.03	66.44	112.11	72.04	103.24
Japan (457)	141.85	+0.4	117.98	114.59	0.61	141.28	116.59	113.55	161.28	100.00	111.74
Malaysia (36)	119.46	−0.7	99.36	117.13	3.19	120.26	99.25	117.88	193.64	93.76	111.56
Mexico (14)	114.18	+3.3	94.97	276.77	1.28	110.56	91.24	269.07	422.59	90.07	112.78
Netherland (37)	95.80	+0.2	79.68	82.24	5.47	95.58	78.88	81.51	131.41	87.70	105.60
New Zealand (24)	77.07	+1.6	64.10	61.43	5.35	75.86	62.60	60.67	138.99	73.39	92.14
Norway (24)	103.91	+0.6	86.42	89.94	3.04	103.25	85.21	89.03	185.01	95.51	107.12
Singapore (26)	104.72	−1.0	87.10	97.70	2.48	105.75	87.27	98.47	174.28	81.21	106.92
South Africa (61)	131.39	+1.7	109.29	84.48	4.94	129.14	106.57	85.55	198.09	100.00	113.00
Spain (43)	135.48	+0.5	112.69	116.24	3.50	134.84	111.28	115.28	168.81	100.00	116.13
Sweden (34)	103.61	+2.5	86.18	92.26	2.52	101.12	83.45	89.59	136.64	88.50	94.26
Switzerland (53)	77.83	+0.5	64.74	65.41	2.54	77.41	63.89	64.82	111.11	73.65	102.93
United Kingdom (330)	130.41	+0.5	108.47	108.47	4.30	129.76	107.09	107.09	162.87	99.65	109.88
USA (588)	100.69	+1.3	83.75	100.69	3.68	99.39	82.02	99.39	137.42	91.21	111.47
Europe (972)	99.99	+0.3	83.16	85.54	3.97	99.72	82.29	84.73	130.02	92.25	106.36
Pacific Basin (682)	138.30	+0.4	115.03	112.77	0.84	137.77	113.70	111.79	158.77	100.00	110.95
Euro—Pacific (1654)	123.01	+0.3	102.31	101.88	1.87	122.58	101.16	100.97	143.65	100.00	109.12
North America (715)	101.19	+1.2	84.16	100.78	3.65	99.95	82.48	99.55	137.55	91.68	111.36
Europe Ex. UK (642)	81.16	+0.1	67.51	71.08	3.64	81.12	66.95	70.62	111.97	78.89	99.45
Pacific Ex. Japan (225)	95.54	+0.0	79.47	90.10	5.00	95.53	78.84	89.97	164.03	82.92	101.16
World Ex. US (1856)	122.65	+0.4	102.01	101.82	1.94	122.21	100.86	100.96	143.38	100.00	109.17
World Ex. UK (2114)	112.55	+0.7	93.61	100.65	2.32	111.77	92.24	99.68	138.82	100.00	110.10
World Ex. So. Af. (2383)	114.02	+0.7	94.84	101.49	2.51	113.26	93.47	100.46	139.47	100.00	110.06
World Ex. Japan (1987)	100.86	+0.9	83.89	94.92	3.82	100.00	82.53	93.92	134.22	92.98	109.29
The World Index (2444)	114.13	+0.7	94.93	101.39	2.53	113.37	93.56	100.38	139.73	100.00	110.08

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.